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ANCIAL TIMES

THURSDAY NOVEMBER 12 1998

World Business Newspaper http://www.FT.com

Hedge fund manager 'A bit like train robbeks Or maybe even worse Page 12



Digital Business Nothing will be the same again Peter Martin, Page 11



Software in India Euro conversion packages stoke the boom Page 7

Pension funds How to knock down national barriers Page 4

WORLD NEWS

Palestinian peace accord ratified by Israeli cabinet

Israel's cabinet ratified last month's interim peace accord with the Palestinians, paving the yay for an Israell troop pullback aom 13 per cent of the West Bank. Page 6

Turkish PM faces censure Turkish prime minister Mesut YIImaz last night faced two motions of censure and desertion by a key political supporter in the wake of corruption allegations broadcast on television by a businessman. Page 2

Serb police return to Kosovo Serbian police in combat gear returned to the rebel heartland of Kosovo as US diplomat William Walker arrived to head an international verification mission.

Pinochet extradition plea delivered Spain's official request for the extradition of former Chilean president Augusto Pinochet to ace charges concerning the execution or disappearance of about 3,000 people was delivered to the UK. Page 5

onesia meets student demands Indonesia's highest legislative body acceded to student demands and called for a thorough investigation into the wealth of former president Suharto, it also confirmed plans to phase out the military seats in parliament. Page 8

Greece unveils tough budget Greece's Socialist government announced tough wage mea-sures in a budget designed to ensure the country qualifies next year for membership of the European single currency.

Rigitive held in Australia Prios Cabal Peniche, a former Honaire banker and one of Mexico's most-wanted fugitives, where he was living as an Italian

Carlos Menem, president of Argentina, said his country would commit itself to restricting greenlouse das emissions. Page 6

UK arms exports report delayed The UK government has had to delay publication of its first annual accounting of arms. exports, one of the ethical foreign policy undertakings it gave lest year. Page 10

Howard attacked over Mahathir Australian prime minister John Howard is under attack because he plans to meet Malaysian acier Mahathir Mohamad at an Asia-Pacific heads of government meeting in Kuala Lumpur.

Japan's PM visits Moscow Japanese prime minister Keizo Obuchi arrived in Moscow on the first official visit to Russia by a Japanese leader for 25

\$3bn loans to Argentina approved The World Bank approved \$3bn in emergency loans "to safeguard Argentina's social and economic achievements" in the face of international financial uncertainty.

Plicts seek to counter 'air rage' German sirtine pilots urged their employers to help avert "air rage" attacks by offering nicotine to smoke-starved passengers and cutting down the amount of alcohol served during flights.

THER BATE

BUSINESS NEWS

Cable and Wireless calls off alliance with Telecom Italia

The alliance between Cable and Wireless of the UK and Telecom the creation of the world's second largest carrier of international teleconfirmunications traffic, has been abandoned. Page 17; Lex, Page 16; C&W static at £1bn,

Schering, the pharmaceuticals group, will today become the first German company to proceed with a buy-back of its own shares, even though the tax status of such a move remains unclear. Page 20

Cargill, the US agribusiness group, reacted with surprise to news that AgrEvo, the German agri-chemicals group that is plan-ning to buy Cargill's North Ameri-can seed business, may seek a revision of the agreed \$650m purchase price. Page 18

Hicks, Muse, Tate & Furst, the private equity fund, is seeking to reduce the price it has agreed to pay Pearson, the UK media group, for part of Simon & Schuster's specialist publishing arm. Page 17

The Citibank network of retail banks in the US is to undergo a shift in culture as part of the attempt to boost cross-selling of financial products at Citigroup, the result of the merger of Citicorp and Travelers. Page 17

intel's forecast of higher microprocessor sales in the fourth quarter has boosted confidence in the US high technology sector. Page 18; Lex, Page 16

Multinational music groups will steadily lose market share to independent labels over the next decade because of the growth of internet record sales, according to new research. Page 7

Bayer, the German chemicals and pharmaceuticals group, warried that sales would stagnate this only slightly. Page 20

Commerzbank, Germany's fourth largest bank, surprised investors by reporting healthy profits in the third quarter. Page 24

A Singapore government panel recommended a range of costcutting measures designed to make the city-state's business more competitive. Page 8

Shares in Iff, one of the Italian Agnelli family's main holding companies, rose sharply after Giovanni Agnelli & C. launched a \$1.6bn offer to take over fully the Luxembourg-based Exor group. Page 20

Volatility in international yen markets has raised concern over the accuracy of the key "Libor" lending rate used as a benchmark for transactions in the Jap-

anese currency. Page 17 The US market for initial public offerings surged as three muchanticipated new issues met with enthusiastic demand. Page 17

Prince Walced Bin Talal, the Saudi investor, has acquired a stake of nearly 10 per cent in United Bank for Africa, Nigeria's third largest

Euro Prices

euro currency zone, covering foreign exchange, bond and equity markets.

US boosts forces in Gulf as pressure grows over strike

By Stephen Fidler in Washington, Michael Littlejohn in New York and Roula Khalef and Robert Peston

US-led military action against traq came closer yesterday as the US sent more warplanes and forces to the Gulf and United Nations weapons inspectors and humanitarian personnel were withdrawn from the country.

Richard Butler, the head of the UN commission providing weapons inspectors in Iraq, said he had ordered 103 inspectors to leave fraq. They flew to Bahrain yesterday morning, based on "a strong recommendation" from the US. Saddam Hussein, Iraq's president, suspended co-operation with the weapons inspectors 11 days ago. The UN also evacuated 130 relief staff involved in the oil-for-food programme, which allows Iraq to sell limited amounts of oil to buy humanitar-

ian goods. In New York, the UN Security Council scheduled an emergency meeting at the request of Russia, which wanted Mr Butler to explain the pull-out. Kofi Annan, UN secretary general, cut short a trip to North Africa. Oil prices rose 41 cents on the

news to \$12.45 a barrel for December Brent crude. Prices to its embassy in Israel.

Tariq Aziz 'on secret arms committee'

Tatio Aziz, the Iraqi deputy prime minister and his country's chief negotiator with the UN, belongs to a secret committee charged with hiding weapons of mass destruction from arms inspectors, according to information given to western intelligence by a recent defector from Baghdad. Special report, Page 6

later drifted back to about 25 cants above Tuesday's close. Washington said it was sending

129 more warplanes and 3,000 more military forces to the region. However, the US has said it has sufficient military resources in place to launch a military action immediately. There are already 23 US ships in the area, eight of which are capable of firing Tomahawk cruise missiles, as well as 173 aircraft and 23,500 members of the armed forces, according to the US Defence Department.

mended pulling out staff from embassies in Kuwait. The US issued a similar recom

The US and Britain recom-

terday said he still preferred to resolve the crisis peacefully. But if the UN weapons inspectors were not allowed to do their job in Iraq, "they may as well be in Baltimore, not Baghdad. That would open a window of opportunity for Iraq to rebuild its arsenal of weapons and delivery systems in months - and I say again months, not years."

Speaking before the Veterans' Day wreath-laying, Mr Clinton said: "A failure to respond could embolden Saddam to act recklessly, signalling to him that he can with impunity develop these weapons of mass destruction or threaten his neighbours.

"We continue to hope - indeed pray - that Saddam will comply [with UN security council resolutions), but we must be prepared to act if he does not."

Tony Blair, UK prime minister, issued what appeared to be a final warning to Mr Saddam to reverse his decision to co-operate with UN inspectors. "We will act if he does not immediately come back into compliance with the UN resolutions and abide by the agreement he has made," Mr



Brussels seeks ban on animal feed antibiotics

and David Pilling to London

o in animal feed because of concarns that overuse could build up bacterial sistance in humans.

A ben on four of the eight antibiotics used in animal feed could to promote growth of pigs and halt drugs sales worth about poultry and to increase their Ecu700m a year. The move is likely to provoke strong opposition from farmers as well as from main drugs suppliers to the animal market, such as Rhone-Poulenc and Pfizer. Franz Fischler, European

Union farm commissioner, has

the use of the remaining four Academy of Sciences recomthat they too will be banned.

today seek to ban the use of sev- versial because scientists have antibiotic resistance. antibiotics in feedstuffs is increasing human resistance to Antibiotics are used by farmers

resistance to disease.

The Commission's farm directorate argues that farmers can do without them, especially at a time of an over-supply of pig Concern on their use has not

been limited to Europe. This

antibiotics, raising the possibility mended the creation of a national crisis of 1996. database to monitor microbe-The European Commission will The recommendation is contro- related illnesses and trends in has contributed to growing trade

> Department of Agriculture and the use of antibiotics in feed the Food and Drug Administration, estimated that between 60 and 80 per cent of cattle, sheep, swine and poultry in the US would be given antibiotics at

Mr Fischler is pushing the ban on four antibiotics because either they, or closely related drugs, are used in human medicine. He is tikely to argue that the ban is consistent with the EU's "precautionary" approach to food safety,

ANGREE COLLEC

given to animals intended for export to the EU. if approved by member states, the use in animal feed of Spira-

mycin (manufactured by Rhône-Poulenc), Virginiamycin (Pfizer), Tysolin phosphate (Elanco) and Bacitracin Zinc would be pre-

The eight antibiotics used in animal feed account for about 15 per cent of all antibiotics sold in the EU, according to European

antibiotic sales in the EU at Such caution on food policy between Ecu9bn to Ecu10bn.

Mr Fischler will put forward friction with the US. But Mr Fis- his proposal at a meeting today either among committee members or EU farm ministers, are likely later this year or early next. Commission officials believe it would be hard for farm ministers to reject a scheme aimed at protecting public health.

Some antibiotics are banned in animal feed throughout the EU. In addition, Sweden and Finland have exemptions to ban some of the eight in use throughout the

1965 Gree Jpon 1 the

Chinese investors in protest march over collapsed brokerage

By James Kynge in Beijing

More than 200 angry investors cheated in a get-rich-quick scheme marched through central Beiling yesterday in one of the boldest protests seen since the 1989 crackdown on student

protests in Tiananmen Square. The demonstrators, mostly retail investors with brokerage house Xin Guo Da, were kept from approaching the square by a police cordon. One investor was arrested for organising the

Such protests, though still rare, are becoming more common in China as the economic slowdown scuppers several financial institutions, dashing expectations of rapid prosperity.

Several hundred wholesalers blocked traffic in the Chinese capital this month after a department store closed without paying

Yesterday's protesters walked to the building of the official. Xinhua news agency, which they accused of unfair reporting of the Xin Guo Da case. Xinhua had reported that the

gally" by private entrepreneurs from its state-backed owners last The use of the word "lilegal" convinced many investors that to three

the government was preparing arguments to avoid having to

The Taiwanese operator of the brokerage house, Ni Wen-liang, and two Chinese citizens were Thousands of ordinary Chinese

were lured into putting their life savings in Xin Guo Da, which promised high monthly payments through clever investments in the volatile green bean and soya futures market. The brokerage attracted 4,000 investors who deposited a total of Rmb 532m (\$64.3m), Xinhua said.

Mr Ni's sales pitch included ushering people into an auditorium and showing pictures of himself meeting several members of China's politburo - the ultimate business cachet for some in

One investor standing near the marble-fronted Xin Guo Da building in Beijing said she had invested Rmb 60,000 which the family had put aside for their son's education.

"We all thought that this company was a state company," she added. "Now the government will company, which shut its doors in not help us. I am desperate."

August, had been bought "ille-The government is planning a thorough reorganisation of its speculative futures markets. The shake up is expected to reduce the number of exchanges from 14

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November 1998

Credit Suisse First Boston would like to thank the 407 delegates who contributed to the success of the 1998 Credit Forum in Monte Carlo.

We wish you a prosperous year ahead and look forward to seeing you at next year's forum.



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WORLD MARKETS

Yilmaz plagued by corruption claims

By Christopher de Bellaigue in Ankara

Mesut Yilmaz, Turkev's prime minister, last night faced two motions of censure and desertion by a key political supporter in the wake of corruption allegations broadcast on television by a busi-

Members of the conservative True Path party tabled a motion accusing Mr Yilmaz of "abusing his position by forming links with Mafia following broadcasts of the allegations on Tuesday night.

A second motion was tabled by the main opposition Virtue party yesterday. If a majority of Turkey's 550member parliament should vote against him. Mr Yilmaz would have to resign.

Mr Vilmaz went on television last night to describe the charges as "a grand plot

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O The Financial Times Limited 1996 Editor Richard Lambert, do The Financial Times Limited, Number One Southwark Bridge, London SEI 9HL

designed to obstruct the gov- year's budget discussions are ernment's struggle against the mafia." He said he saw no reason to resign.

A day earlier, television stations owned by Korkmaz Yigit, a scandal-tainted businessman, had broadcast his claim that the prime minster, the economy minister and the governor of the central bank had influenced the result of a privatisation tender for Turk Ticaret Bankasi, a medium-sized bank.

Mr Yigit, who spent much of yesterday being questioned by police investigating links between business and the mafia, bought Turk Ticaret Bankasi for \$600m in July. The Treasury has since blocked the sale, pending the results of a parliamentary

inquiry. Yildirim Aktuna, a state minister and senior member of the Democrat Turkey party, a member of the ruling coalition, said that, if Mr. Yigit's allegations were true. it would be "extremely hard. even impossible for the gov-

ernment to survive." The censure motions. which may be merged into one, are unlikely to come before parliament before December 15, when next kets.

Erdogan ban hits Virtue By Leyla Boutton in Istanbul

Whether or not the corruption scandals that erupted onto Turkey's airwaves yesterday force early elections, the country's most charismatic candidate for the post of prime minister due to finish. The attitude of will be out of the running. In fact, he will be in jail and banned from public life. Recep Tayyip Erdogan, the

Islamist mayor of Istanbul. will be deposed from his position today, when the city council elects a successor. He will also begin a four month prison sentence, following his conviction earlier this year for inciting hatred.

Many Turks believe it is no coincidence that the 44year-old mayor has been sentenced just in time to disqualify him from elections due early next year. Along with the prison sentence comes a ban from holding public office. The elections could come earlier if Mesut Yilmaz, prime minister, succumbs to corruption allega-

It is also widely believed that Turkey's powerful military, which last year unseated Mr Erdogan's Islamist Welfare party, was behind the court decision to send him to jail.

Mr Erdogan would be a hit on any campaign trail in the western world. But his very charisma - combining the athletic build of a former sportsman with an impres-



Recep Tayyip Erdogan: found guilty of inciting hetred

sive track record in office makes him, in some eyes at least, one of the most dangerous politicians in Turkey. He had been, if nothing

else, a strong candidate to be the next leader of the Virtue party, which has replaced Welfare as the mainstream Islamist party since Welfare was excluded from political

Welfare's poor performance in government in Ankara, under the premiership of Necmettin Erbakan. was in sharp contrast with the praise heaped on Mr Erdogan by both the lower classes and the westernised

elite of Istanbul. He has cut back corruption and water shortages, and replenished the once-empty coffers of Turkey's largest city. Mr Erdogan's crime was to

recite a poem which described minarets as bayonets, mosques as barracks and believers as soldiers. He says his comments were taken out of context and argues that he and the Virtue party firmly support a secular state and a marketbased economy, "My religion has nothing to do with government but with personal belief. My aim is that all people should live their reliwant," he said.

Despite this apparent blow to the Virtue party's greatest asset, the legal system and the military seem powerless to battle the uneven income distribution, political instability, and corruption allegations which continue to feed popular support for Turkey's islamist movement.

The burst of corruption allegations against Mesut Yilmaz. prime minister, which led to calls for his resignation yesterday are likely to give the Virtue party a shot in the arm. The accusations against

Mr Yilmaz and Gunes Taner. the state minister responsible for economy, who have achieved important economic reforms during their 16 months in office, are unproven. But they have provided fodder for renewed squabbling among the secular parties which have so far failed to unite to tackle the country's problems.

Islam is a threat in the sense that they [Islamists] are using religion" to promote themselves. Once they start it is not easy to stop." says Gokhan Capoglu, a secular politician whose new Changing Turkey party promises a bold reform agenda. If the government fails to take action against the causes of the rise of Islam rather than its conse quences, Islam may become a larger threat." he added.

Winston Churchill statue unveiled in Paris

By Robert Graham in Peris

France yesterday honoured Britain's wartime leader. Sir Winston Churchill, with the unveiling of a three metre bronze statue in central Paris on the day both nations marked the 80th anniversary of the armistice ending the first world war.

The occasion, hosted by President Jacques Chira() and Queen Elizabeth, was replete with symbolism designed to underscore the powerful links between the two nations.

The sculpture of Churchill shows him strutting forward in the same Royal Air Force greatcoat he wore on November 11, 1944 accompanying Gen Charles de Gaulle as they marched in the Champs Elysée. That day the two men had also laid wreaths at the statue of Georges Clemenceau, the towering French statesman of the first world war.

The Churchill statue was sited off the Champs Elyseo by the Petit Palais, looking towards that of Clemenceau. and on an avenue already bearing Churchill's his name. Few modern foreign political figures have been honoured with a statue in the French capital: the tribute is normally limited to street names.

Britain unveiled a statue to Gen de Gaulle in London in 1993. A public subscription was opened in France towards the FFr1.7m (\$300,000) cost of the Churchill monument, but the city of Paris ended up chipping in FFr400m for the sculpture by 68-year-old Jean Cardot.

President Chirac praised Churchill's courage and determination, in the most fulsome praise by a French head of state for Britain's help to France during the second world war.

Brussels calls for more worker consultation

By Michael Smith in Brussels and Robert Taylor in London

European Union companies employing 50 people or more will face tough sanctions if they fail to consult employees on redundancies and selling subsidiaries, under controversial proposals unveiled yesterday by the European

Employers flouting the proposed directive could face fines and their decisions to sever employment contracts could be declared null and received assurances from tive, after he agreed to raise obligations to consult. undertaking and on decivoid. The proposals are opposed by several governments including Britain's. have also been attacked as an "unwarranted interference" by Unice, the European employers' federa-

Deniz Baykal of the Republi-

can Peoples party which has

supported the government

from the outside, will be cru-

cial. Last night he said: "We

are ready to do whatever is

necessary to remove the gov-

If the government fails

and Turkey's fractured par-

liament fails to produce a

replacement within 45 days,

a general election must be

called. In the summer, Mr

Yilmaz secured approval for

Mr Baykal has been on the

offensive since August,

when incriminating cassette

tapes released by Alaattin

Cakici, a suspected mafia

leader arrested in France,

prompted fears that Tur-

key's privatisation process

was being run by under-

world mafia dons and

Yigit's recorded statement

sent the Istanbul Stock

Exchange benchmark 100-in-

dex down 14.9 per cent yes-

terday. Bankers say it also

struck a severe blow to Tur-

key's hopes of resuming bor-

rowing on international mar-

Uncertainty caused by Mr

crooked parliamentarians.

ernment from office."

man said yesterday that the UK had won the backing of Gerhard Schröder, German chancellor, against the proposed directive. The UK government is convinced it has

block the directive, which must be approved by a qualified majority of countries if it is to become law. Padraig Flynn, EU employ-

proposal would be good for A Downing Street spokesbusiness and would help create a more flexible approach to work reorganisation. His directive was backed by a majority of his 19 col-

other EU governments to the threshhold of companies to be covered from 20 employees to 50. Sir Leon Brittan and Martin Bangemann, commissioners for external affairs and indusment commissioner, said his try, opposed the directive.

Large companies operating

across borders are already

forced to consult workers under so-called "works councils" arrangements smaller employers leagues in the European with businesses in only Commission, the EU's execuone country have fewer

proposals say the EU has no justification for interfering in the running of companies that operate in only in one

Mr Flynn's proposals would cover about half of all EU employees but only about 3 per cent of companies. Employers with 50 employ-

ees would be required to inform and consult workers of employment" within the

Opponents of yesterday's sions likely to change work organisation and contractual relations.

Member states would have to provide for "adequate penalties which are effective. proportionate and dissuasive" against companies which infringed the rules.

The Commission says the details of the laws, including whether to levy fines, should be decided by member countries according to local cir

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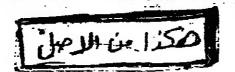
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RUSSIAN TURMOIL PRIMAKOV BOMBARDED WITH 'ADVICE'

Economists weigh in with strategies

By John Thomhill in Moscow

Two months after becoming prime minister, Yevgeny Primakov still has not drawn up a comprehensive action plan to haul Russia out of its economic crisis. Yet it seems the whole nation has pitched into the debate about what tal, and limited money printneeds to be done.

If economic talk rather than economic activity was a measure of a country's wealth then Russia would be rich indeed.

On Tuesday, Mr Primakov discussed a variety of "sca-parios" for the 1999 budget with the Duma, the lower house of parliament, without reaching any concrete conclusions or proposing any legislation. They gave their vague backing to an equally vague proposal.

Yesterday, it was the turn of some of Russia's most prominent - and voluble economists to discuss "antiinflationary politics and a strategy for economic

The debate, sponsored by several academic institutes. provided an intriguing glimpse into current economic thinking, highlighting how Russia is still groping to find a "middle way" between Soviet-era policies and the economic "liberalism" of the ast seven years.

an older generation of Russian economists when she condemned the previous government's failed "monetarist policies" and called for radi-

Her remedies reflected try to meld these conflicting much of the thinking, which has been aired - if not yet implemented - by Mr Primakov's government.

She called for tax reform, an orderly restructuring of Russia's external debts, the forcible return of flight capling. She also argued for the imposition of price controls and the de-dollarisation of the economy.

"Can you imagine what it would be like in Great Britain if prices were in dollars?" she asked to murmurs

Central bank has assumed primary role in guiding economy in the

absence of government plan

Andrei Illarionov, younger economic liberal, responded that the population saved its money in dollars precisely to protect itself from such confiscatory economic policies.

He defined inflation as the "continuation of fiscal policies by monetary means" saying it must be strictly controlled if economic growth were to resume.

It was left to Tatvana Paramonova, first deputy chairman of the central bank, to

in recent weeks, the central bank has assumed the absence of a clear government programme.

porarily headed the central bank from 1994-95 when it ran an extremely tight monetary policy, reiterated her belief that it was important to keep inflation low. But she questioned whether it had been right to lower infla-tion so rapidly fearing it had

earlier stance, the central bank would now allow the rouble to float and cut interest rates to encourage growth in the economy, she More emphasis would be

In a sharp reversal of its

placed on other economic indicators, such as unemployment rates, trade balances, and industrial output statistics, in framing monetary and credit policy. Some economists argued

Mr Primakov's government had still not explained how it could introduce a "socialwithout re-igniting inflation. But everyone agreed the talking must continue. "There has been absence of dialogue." said

He added: "It is very important for the development of our society and our half of its food, needed foreconomy that we have such

Russians hungry for food and way out of crisis

Despite assurances of aid from the US and Europe many in the regions face a bleak winter, writes Arkady Ostrovsky

July 17 1918, the day the Bolsheviks killed Tsar Nicholas primary role in guiding the II, and will brighten again Russian economy in the only once Russia has peace and order. At the moment, say the people of Kostroma. the icon is only getting

> Kostroma, once a rich merchant town on the banks of Volga river famous for its magnificent white churches. has been included by the International Red Cross on a list of Russian regions which could face severe food shortages this winter. The deepening financial crisis, unpaid wages and pensions, soaring food prices and a poor potato per cent of the area's 800,000 population below the poverty line.

According to the Russian Centre of the Standard of Living, 79m Russians now live in poverty, out of a total population of 150m. In addition, meteorologists predict this winter will be the coldest in 30 years.

threat of food shortages and malnutrition. We have to be prepared for the worst case scenario," said Borje Sjokvist, head of the Red Cross Moscow Delegation, which has recently launched its winter appeal.

Last week the government said food stocks were runwhich imports more than eign help to get through the winter. According to Vladi-

egend has it that the mir Vinogradov, a deputy icon of the Virgin in head of the local administra-Kostroma's church of tion 166,000 people in the the Epiphany darkened on Kostroma region, mostly in small villages face the threat of starvation this winter. In some areas, he said, they already are starving.

صكنام الاحل

The US has announced a \$600m food aid package while the European Commission is prepared to provide the country with \$472m worth of food aid. But is there really a risk that Russians will starve?

The ministry of agriculture has brushed off the danger, arguing that it has been exaggerated by the media in the interest of western food Food shops in Kostroma

220 miles north-east of Moscow, are stuffed with imported products, but they testify to the poverty rather than prosperity of the local population. "If people had money these shops would be empty by now," said Mr Vinogradov.

According to Evgeny Trepov, a local businessman who owns a network of grocery stores, food consumption has halved in real terms since August.

Most local workers have not been paid for at least five months and 80 per cent of the region's economy is based on barter. Irina Grigoryevna, a pae-

diatrician who has not received her salary for four months must root through a pile of clothes in a local Red Cross office. "You can't imagine bow humiliating all this is. I am not an alcoholic. a drug addict, or a tramp,"



years as a doctor. But I can highest risk. not feed myself."

Looking into her Red depends on age the number Cross food parcel, which of children and the ability to contains a cabbage, a bottle of sunflower oil and a tin of ment she weeps. "I really do not know what we are going to eat this winter. I am afraid we are going to starve."

Aleytina Koroleya, who works at a local hospital. faint with hunger during shifts. The hospital is unable to feed its patients properly and medical stocks are low. "Before the crisis we could give our patients some meat. Now we are unable to provide them with milk or but-

ter," says Ms Koroleva. With the government unable to pay wages, let alone provide proper social as a night guard at a hotel only 48 per cent will get benefits, social Darwinism parking lot, Occasionally he them. The rest get a mece of

she says. "I worked for 20 disabled and pensioners at craft to Siberia where his The well-being of a family

> grow its own food. According to the ministry of aericulture, 90 per cent of Rusista's potatoes and 76 per cent stretches 500 miles to the of vegetables are grown from north-east offer little chance provate plots. Kostroma's poor survive, people in these areas easily by farming their gardens or grow their own food as 75 by corning some money on spor cent of the land is cov-

> the side. Valery Simonov is an Aeroflut pilot based at a local armort, has not seen, administration was handing his salary of Rhsdon (815) for four broad and omions in the several months, and even if he had, he would be considered below the poverty line. in fact, he lives in a well-

furnished two-bedroom apartment with his wife and daughter and carns at least Rbs1,500 a month. He works prevails putting the elderly. is sent with his small air. bread and a cup of tea.

But while the town still provides an opportunity to troma region, which

Last winter the regional

remoter parts of the region. ogradov, it might not be able to leed everyone. Nor can it provide all schoolchildren with hot meds; last year 76

NEWS DIGEST

GERMAN COMPETITIVENESS

Promise to limit social security contributions

Walter Riester, Germany's new labour minister, yesterday dedged to maintain the downward pressure on social curity contributions paid by employees and employers. A cut in pension contributions by 0.8 percentage points to 19.5 per cent announced last week would not be reversed as part of planned reforms of the overburdened, pay-asyou-go system, Mr Riester promised.

a close ally of Gerhard Schröder, chancellor, said the govemment was looking to create "reliable and reasonable conditions for the creation of new jobs. High social security contributions are blamed for reducing the competitiveness of German labour. The Social Democrat-led government is planning to fund

cuts in social security contributions through higher energy taxes. Mr Riester said "every D-Mark that is raised through the 'ecological' taxes would be converted into lower nonwage costs".

Separately. Mr Riester is proposing that part-time jobs earning more than DM300 (\$177) a month should in future be liable to pay pension contributions - compared with DM620 at present. Raiph Atkins, Bonn

BOSNIAN RECONSTRUCTION

Speedier reforms urged

Western peace officials yesterday urged Bosnia to speed up economic reforms, warning that foreign investment capital would not start flowing until state companies had been sold off. "No foreign investor, or almost none, will come before the privatisation is completed," said Didier Fau, head of the economic department at the Office of the High Representative, which co-ordinates civilian aspects of the peace process.

Mr Fau said restructuring and privatisation of banks and other reform measures were also needed to attract foreign funds. "Foreign investment is a prerequisite for any takeoff of the economy," he said. "So far, the level of foreign investment is very low."

Mr Fau said the international community was not satisfied with the economic situation in Bosnia, which is struggling to rebuild its economy following the devastating 1992-1995 war between Serbs, Moslems and Croats. "Our message is that what has to be done is to accelerate the

The comments seemed to reflect growing international frustration over the lack of progress in implementing mar-ket reforms, seen as necessary if Bosnia is ever going to survive on its own without billions of dollars in donor sup-

On Tuesday in Washington, the US, Russia and west European powers signaled their intention to move toward gradually reducing international aid. Reuters, Sarajevo

MOLDOVAN GOVERNMENT

No-confidence vote fails

Moldova's government survived a vote of no-confidence yesterday, despite being blamed for falling living standards, a weakened currency and a nosedive in the econ-

Some 38 Communist lawmakers in the former Soviet republic voted to dismiss the government and 20 lawmakers opposed it. Fifty-one votes, more than half the legislators in the 101-seat parliament were needed to pass the motion. The remaining legislators were absent.

The Communists, who brought the no-confidence vote, have accused the government led by Ion Ciubuc, prime minister, of delaying pensions and salaries. The national currency, the leu, has lost almost half its value in recent months, an indirect result of the crisis in Russia.

Vladimir Voronin, Communist leader, said he had expected the motion to be deleated because the government enjoyed the support of a majority in parliament. The reformist parties that came to power in March

promised to speed up reforms, but the three-party ruling coalition has failed to make any progress so far. A member of the ruling coalition, Dumitru Diacov, yesterday said some ministers might be replaced soon to streamline the government. AP, Moldova

Kosovo tense as envoy arrives

Serbian police in full comba gear moved back into the rebel heartland of Kosovo yesterday. - as . William Walker, a US career diploto head an international verification mission.

"I take this opportunity to encourage the political leaderships of all involved in this conflict to choose the way of moderation, the way of sanity, the way of peaceful resolution of differences," Mr Walker said at Pristina air-

But just 25km away, in the Drenica region, more than 100 heavily armed Serbian police were seen taking up positions they left three weeks ago under a partial withdrawal agreement between President Slobodan Milosevic of Yugoslavia and Richard Holbrooke, the US special envoy.

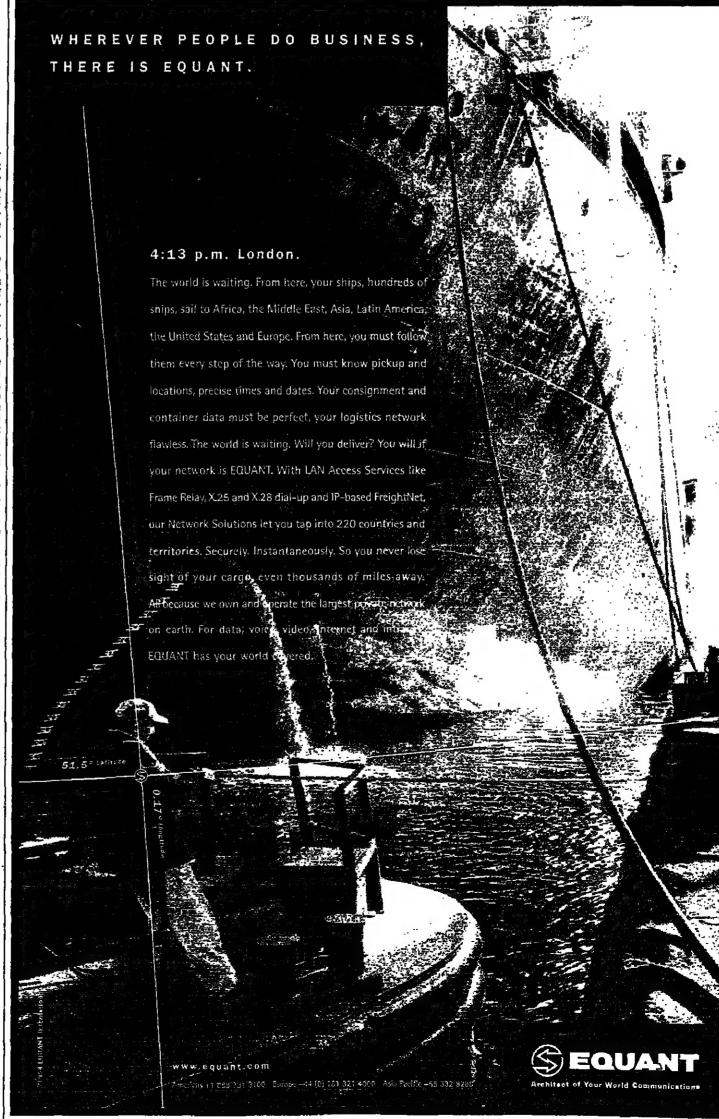
Police said they were deploying in response to a string of raids by separatist Albanian rebels of the Kosove Liberation Army (KLA) on now isolated police stations and supply convoys. The KLA in turn accuses the security forces of provoking them with attacks on villages inhabited by Kosovo's ethnic Albanian majority.

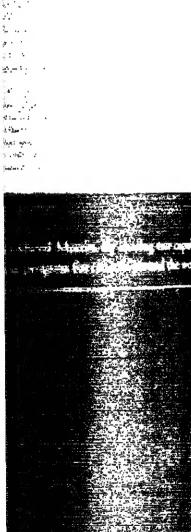
"We are ready for attacks gainst us. There are groups of people out of everyone's control," said the commander of the police station in Malisevo, a former KLA stronghold. The post came under attack on Sunday night and the next morning police found the bodies of two executed colleagues who

vere captured last Friday. The Kosovo Verification dission, led by Mr Walker under the aegis of the Organisation for Security and Co-operation in Europe (OSCE), is seeking to create the conditions for a lasting political settlement that has so far eluded US mediators.

Mr Walker said he could not give an exact date when the full mission of 2,000 observers would be in place. Diplomats are frustrated with the bureaucratic slowness of the OSCE to respond to its task, which Mr Walker said was the organisation's most ambitious yet.

An unofficial ceasefire that has been in place for over a month appears to be unravelling, despite the presence of about 200 members of the Kosovo Diplomatic Observer Mission that was set up five months ago. Mr Walker said OSCE states were "gambling with the lives of their citizens that the overwhelming majority of those living in Kosovo want the violence to end".





ECB urged to publish its minutes

Viktor Klima, Austrian rotating European Union presidency, has become the first European leader to call publicly for the European Central Bank to publish minutes of its meetings.

"The US Federal Reserve publishes its minutes, there is no reason why the ECB should not do the same." Mr Kluma said in an interview with The Financial Times on Tuesday night

The question of just how transparent the ECB should be has become increasingly debated in recent weeks. with criticism growing that its existing proposals are not sufficient.

Wim Duisenberg, ECB president, when first asked about publishing minutes. offered to do so only 16 years after the meetings were held. The US Federal Reserve publishes its minutes after two

The independence of the central bank has to be guaranteed, but that does not mean there should not be a dialogue and transparency between independent partners". Mr Klima said.

Governments of countries participating in economic and monetary union needed to be informed on the background of central bank decisions as a basis for their own economic and monetary policies, just as the governments inform the central bank of their fiscal plans, Mr Klima

While euro-zone monetary policy is to be purely the responsibility of the ECB, the finance ministers of the eleven Emu countries will determine the exchange rate policy for the euro.

Until now, European heads of government have been reticent on the issue of ECB transparency, leaving the European parliament to



lead the charge. The central banks of most continental European coun-

tries do not publish minutes In July, the ECB directorate decided to keep the minutes confidential to shelter the eleven national central bank governors, who sit on the banks' decision-making council, from political pres-

The Maastricht treaty which provides the legal framework for Emu, stipulates that all discussions in the council are confidential. It can, however, publish any information it feels suitable. Mr Klima's initiative fol-

lows recent attempts by Oskar Lafontaine, the new German finance minister, to pressure the Bundesbank and thus also the ECB, to lower interest rates. But Austria has not supported that line and Mr Klima made clear he believed governments should not try to influence the ECB's mone tary policy.

Dual approach shapes debate on the future of pensions

Jane Martinson explains how the single European currency is likely to help clear obstacles on the road to liberalisation



ine speakers set out

their views on the V future of European pensions at a conference in Brussels last week and not one of them was British. The UK, which has a larger funded pensions sys-

tem than any other member state, was limited to sponsoring the meeting and providing the chairman, Lord Tugendhat, chairman of Abbey National, the financial services group. So marked was the absence of any British influence that one delegate quipped that had only been invited because he had a Germanic

The agenda at the conference, organised by the European Federation for Retirement Provision, highlighted a dual approach which is

future of pensions provision the euro next year to help

There is a consensus in the industry that Europe's pension fund regime should be liberalised and the related tax codes co-ordinated. The aim is to enable, for example, a French employee to have his or her pension administered in Ireland. managed by a Dutch manager, while benefiting from tax relief in France.

But some favour using litigation to achieve the goal, while others want a consen-Signs of these divergent

views have become evident in the establishment of the Pan-European Pensions Association. Pepa was formed by a group of multinationals earlier this year to challenge the current legal system, which makes pan-European funds unworkable because of national tax reliefs and the costly bureau-

The association plans to in Europe. Supporters of do this by prompting a series change expect the arrival of of test cases that are expected to meet opposition from the national tax authorities and so end up in the courts - ultimately the European

Court of Justice. Pepa has set up an ad-hoc committee, which includes Zeneca, the UK-based pharmaceutical company. Kvaerner, the Anglo-Norwegian engineering group and the British law firm, Eversheds. Others that have expressed an interest include BT, the telecommunications group, and BP, the oil grou

At a meeting held in October, Pepa's UK-based members tried to get continental companies interested in contributing to a fighting fund that would pay for the test cases. They expected support largely from Holland and Ireland, the two other European countries with significant funded pension systems. Other continental European systems are largely based on unfunded

One observer at the meeting said: "When the time came to stand and be counted for funding purposes, there wasn't a Dutch face to be seen. It was amaz-

Jan Roeis, a Belgiumbased tax partner at Arthur fund by the end of the year -Andersen, argued at last week's conference in Brussels that the industry should avoid the "bull in a china shop" tactics of using the European Court of Justice and for more "concertation". One investment consultant

said Pepa highlighted the more litigious nature of the British and Americans compared with their continental European counterparts. "A lot of companies don't

want to be seen to be attacking their own national tax authorities," he said. "It might be good for pen but it won't be good for their own tax bills." Pepa has argued that the

threat of a European Court of Justice ruling would act as an incentive on member states to do something about the issue. Tax policy is one of the last bastions of national sovereignty in Europe and decisions at EU level are subject to unanimous approval.

Mario Monti, the single market commissioner, has explicitly welcomed the cause of Pepa while pushing shead with separate discus-

sions in a high-level taxation policy group.

Robin Ellison, head of pen-

sions at Eversheds, said he was "reasonably comfortable" that Pepa would attract between 15 and 20 subscribers to its fighting enough to start several legal cases. He hoped to attract greater support from continental Europeans at a later stage. With estimates of notential annual savings thought to be as much as £25m (\$41m) per company, he believed most multinationals would want to support any successful cam-

Whichever approach is chosen, there is a consensus that the establishment of a truly liberalised pensions market will be helped by the introduction of the single

Mr Ellison said the euro "makes things much easier" as it removes the currency restrictions that forced European funds to invest in one country and also "changed the atmosphere". Mr Monti, who told the conference there was an "attitude" to move forward on liberalising euro will clear the remaining

With a start date of next January, it is also likely to do so faster than either litigation or compromise.



between the European Union and Lithuania over Ignalina, a Soviet-era nuclear power plant, intensified yesterday in an uncompromising exchange between the two

Speaking in Vilnius, Jose Maria Gil-Robles, president of the European parliament, said the BU wanted Lithuania to set a timetable for closing down the plant head of talks to join the EU. The European Union is not asking that Ignalina of negotiations," he said. But a precise calendar to close the plant, and clear engagement by Lithuanian authorities that they are going to keep to that calendar, would be necessary to begin negotiations."

His comments came a day after Gediminas Vagnorius Lithuanian's prime minister. said the country's bld to join the EU was being unfairly held up by EU concern about the safety of the plant.

Mr Vagnorius told the FT his country was being "punished" for its insistence on keeping upon the Chernobyltype Ignalina nuclear power plant, which generates more than 80 per cent of Lithur nia's electricity. The pig would not be made safer by delaying negotiations, he

The European Commission praised Lithuania's economic reforms but shied away from naming the country as a prospective EU member. Mr Vagnorius said the European Commission's report did not identify concrete shortcomings in his country's attempt to join the union, but nonetheless decided not to admit Lithuania to the first round of accession negotiations. Mr Vagnorius was particularly irritated by the fact that Estonia is included in negotiations and neighbouring Latvia was told it might join the talks next year.



Socialist Greece's government yesterday revealed tough wage measures in a budget designed to ensure the country qualifies next year for membership of the European single cur-

Greece must cut inflation from 4.7 per cent in October to 2 per cent by next December to achieve its aim of joining the euro in 2001. The Socialists must also make further progress with reducing the public debt and implementing structural

sion on Greece's application early in 2000, based on the previous year's budget per-

A sharp decline this year

in the budget deficit and

public debt has boosted Greece's credibility as a candidate for euro membership. Next year's budget is based on expectations of economic growth rising to 3.7 per cent of gross domestic product. This year's target

Russian and Asian cris Yannos Papantoniou, economy minister, a nominal 2 per

3.5 per cent following the

is expected to make a deci- cent rise in public sector pay indirect taxes on fuel, electricity and purchases of new cars - aimed at reducing imlation - would, in effect, increase Greek families' purchasing power.

"Joining the euro will give Greece a strong currency. and protect incomes and pensions in the future," he

The budget deficit is set to fall this year from 4.2 to 2.2 per cent of GDP, comfortably was revised down from 3.7 to below the 3 per cent ceiling required for euro members. Next year's deficit target is set at 1.9 per cent of

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A surge in privatisation ing the debt to 103 per cent revenues to almost Dr1,100bn (\$3.9bn) will help cut the public debt by four percentage points to 105.5 per cent of GDP. Income from disposals planned next year, including the sale of another stake in OTE, the public telecoms operator, should contribute to reduc-

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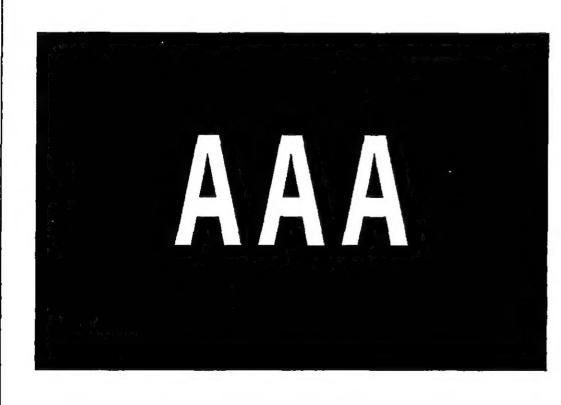
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of GDP. That would be far higher than the Maastricht target of 60 per cent, but trate a falling trend.

The budget provides for 5.5 per cent increase in spending, to be channelled mainly to defence, education

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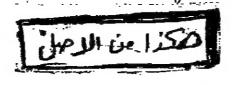
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Smoke signals say relief is in sight for *tobacco companies

Settlement of states' lawsuits may cost \$220bn, but Congress is the big loser, writes Richard Tomkins

A fier a year and a half of proposal earlier this year, it A on-and-off negotiations, the siege against US cigarette makers appears on the brink of being lifted.

In the next few days - conceivably, as early as tomorrow - the big tobacco com- youth smoking were missed. panies and states suing them for the recovery of smokingrelated healthcare costs are expected to announce that they have struck a deal.

The tobacco companies are ing sick smokers under the from individual smokers. Medicald health care pro-

The cigarette makers -Philip Morris, RJR Nabisco. British American Tobacco and Lorillard, a unit of Loews - have also agreed to eliminate outdoor advertising, promotional merchandise and marketing aimed at

In addition, they have who take up smoking know, offered to pay about \$1.5bn and accept, the risks.

The higgest loser from the fund anti-smoking campaigns and to set up a public health foundation that will sim to reduce under-age

For smokers, the bad news is that the \$220bn payout will push up the price of a packet of cigarettes in the US by more than 20 per cent. Martin Feldman, an analyst position of small, indepen-at Salomou Smith Barney, dent tobacco companies. calculates that the average price of \$2.20 a pack will rise to \$2.55-\$2.60. The price rise will hit consumption, and so tobacco industry profits. But prices, and could therefore for shareholders, that will be outweighed by relief that the litigation - by far the biggest financial threat pending against the industry - has at

Tobacco stocks have risen pany payouts should fall to recently in anticipation of a the extent that they lose last been settled. deal, although the enthusiasm was tempered slightly yesterday by worries that some states might hesitate to sign up to it.

restorday, Philip Morris was down \$1 at \$53 t. But RJR was up \$1 at \$2918, and in London, BAT closed 32p up

that the states and tobacco companies announced with a and is still under way. fanfare in June last year. Yet to be determined is Under that deal, the how many states sign up to now and for ever. In return, ment, leaving 30 to decide they offered a big payout to where they stand. the federal government and

erol regulation. nity provisions, the deal because they stand to gain required congressional more from the settlement approval. But when Con- than they would in court, gress came to consider the even if they won.

struck out the legal immunities and sought to increase the size of the tobacco industry payout to \$516bn over 25 years, with additional penal-ties if targets for reducing

The tobacco industry then turned against the proposal. presenting it as a massive tax increase, and the legislation collapsed. For cigarette makers, the

understood to have agreed to disadvantage of the new deal pay out about \$220bn to the is that it will only settle the lates over the next 25 years, state lawsuits, leaving them be divided among them theoretically exposed to the according to population and continued threat of class the amount spent on treat- action lawsuits and claims But recently, the tobacco

ning nearly every case in the courts. Judges have been throwing out class action lawsuits, saying smokers' individual cases differ too much for groups to be considered as a single class, and most juries have continued to take the view that people

new deal appears to be Congress, which has been com-pletely excluded from the negotiations and stands to gain neither the cash nor the regulatory authority it would have achieved from the previous proposal.

A big sticking point in the negotiations proved to be the Because these are not par-ties to the agreement, they will not have to pay out any money or raise cigarette grab market share from the

o address this problem, the agreement proposes that the tobacco commarket share to non-participants in the agreement. Alternatively, the states may impose "licence fees" on non-participating tobacco In early New York trading companies and use the money to compensate the big tobacco companies for

lost market share. The lead negotiator for the at 517p. a gain of 6 per cent. states is Christine Gregoire, Although expensive, the attorney general for Washsettlement will cost much ington State, whose lawsuit less than the \$368.5bn deal against the tobacco industry went to trial in September

tobacco companies would the deal. Eight have not not only have settled the sued, four have already setstate lawsuits, but won tled, and eight are "core" immunity from virtually all negotiators that have agreed big anti-tobacco lawsuits in principle to the settle-

The worry is that, if more said they would accept fed than a few hold out, the deal could collapse. But most are Because of the legal immu-expected to vote in favour

On the web today White House considers new tobacco tax ● \$3bn Argentine loans agreed Senator Specter calls for Clinton to be prosecuted - not impeached http://www.ft.com/americas

Brazil output figures point to recession

The Brazilian aconomy compared with the same are predicting a heavy reces- collected in 1992. showed new signs that it month last year.

was slipping into recession yesterday when the governsis in financial markets. According to figures pub-

lished by IBGE, the govern— The new statistics show that industrial sales for the However, Dany Rappaport, meeting of the homent's statistics institute, that higher interest rates year as a whole would fall 2 chief economist at Santander icy Committee. industrial production in Sep- and the lack of credit avail- per cent. Investment in São Paulo, Economists said the gov- likely to be signed today or tember was 2.4 per cent able to Brazilian companies. This would be the first said the economy could pick erument wanted to send a tomorrow.

In September the government was forced to raise by the Industry Federation with sales in October 47 per ment reported a sharp fall in interest rates to more than (CNI) showed that industrial cent below the same period to economic activity. industrial production in Sep- 40 per cent, in order to tamber, as companies began defend the currency and stop in September compared with bought on credit in Brazil, to feel the impact of the cri- capital from fleeing the August. However, the CNI which explains the heavy sian default.

sion next year.

country following the Rus- said this was a temporary phenomenon and predicted rates.

below the level in August, are taking their toll on time sales have dropped up in the second half of next signal to industry that rates and was down 8 per cent industry. Most economists said statistics began to be year if rates fell quickly. would fall, economists said

sales had risen 3.05 per cent last year. Most new cars are

The motor industry has privatised industries, such Separate figures published been particularly badly hit, as telecoms and transport,

> Meanwhile, the government was expected to reduce conservative approach interest rates last night for impact from higher interest the first time since the peak of the crisis at the monthly meeting of the Monetary Pol-

would fall, economists said, members of Congress the impression that the crisis

The authorities were also because of the delay in agreeing an emergency credit from the International Monetary Fund, expected earlier this week but now

Spain formally requests extradition of Pinochet

By David White in Madrid, Imogen Mark in Santiago and Robert Hice in London

Spain's official request for the extradition of Augusto Pinochet, detailing charges president over the execution or disappearance of about 3,000 people, was delivered to the UK Home Office (interior

ministry) yesterday. The translated documents were flown to London, where the ex-dictator was arrested last month, after agreement by the Spanish cabinet to submit the case drawn up by

ish move last Priday by recalling its ambassador for

consultations.

Abel Matutes, Spanish foreign minister, afterwards voiced concern about the impact of the case on Chilean politics and the two countries' trade relations. He said Madrid had no option but to transmit the judge's demand. But he warned about a proliferation of similar international cases, which if they prospered

would make foreign policy The future of the Pinochet

protested against the Span-ish move last Friday by the UK's highest court. The appeal followed a Righ Court decision that Gen Pinochet's former status as head of state made him immune

> If immunity was over-ruled, the Home Office said that Jack Straw, the home secretary, would have a week to review the Spanish documents. If the case went forward, it would have to go through a court process in the UK before a final Home Office decision on extradi-

The extradition request,

of kidnapping, torture and from the president, and that given early next wee

It categorises the elimina- to Gen Pinochet. fall within Spanish jurisdiction, regardless of the charges linked to the disap-nationality of the accused or pearance of a Swiss-Chilean the victims, and are not sub- student in 1977. ject to time limits.

The institution of sovercrime of genocide," it argues. case hangs on an appeal which gives details of 2,970. It says that the secret police case put by lawyers for the diction of the Spanish court.

killing was not part of his its head "owed absolute per-public function as president. sonal loyalty and obedience" sonal loyalty and obedience

murder and kidnapping moments of crists.

The Home Office confirmed it had received the eign immunity cannot pro-tect someone accused of a The law lords yesterday the principle of national sovbeard the conclusion of the

The Chilean government hearing under way since last alleged victims, argues that which carried out the repres- 83-year-old general. The Gen Pinochet's role in organ-sion after Chile's military hearing is expected to end ising a systematic campaign coup was following orders tomorrow with judgment

Chile's President Eduardo Frei was due to leave Chile late yesterday for a 10-day tion of political opponents as "genocide". This definition is crucial to the judge's argument that the alleged crimes dite Gen Pinochet to face cil. which meets only in

The meeting was called to discuss the case of Gen Pinochet, and ended with a brief statement supporting the government's position, which has been to defend



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Saddam's front-man 'on secret arms committee'

THE MILITARY OPTION PENTAGON SENDS MORE FORCES TO THE REGION

ERSTWHILE ADVOCATES OF SOFTER APPROACH STAY SILENT

Tariq Aziz, the Iraqi deputy prime minister and his country's chief negotiator with the United Nations, belongs to a secret committee charged with hiding weapinternational arms inspectors, according to information given to western intelligence by a recent defector from Baghdad.

Mr Aziz has consistently denied that Iraq has such weapons and Iraq has now

withdrawn co-operation with haf, the foreign minister. UN weapons inspectors.

defector had disclosed that prejudice the efforts of the the secret committee had ons of mass destruction from arranged for up to 100 missiles to be hidden, along programme and details of kev personnel.

included Mohammed al-Sa-

The existence of the comprompting US preparations mittee has been known in for possible military strikes. the west for some time but Western intelligence the information was not sources said the unnamed made public so as not to

Unscom weapons inspection

teams, the sources said. Some details came from with chemical warfare earlier defectors, while othagents, documents relating ers came from sources such to the biological weapons as Israeli intelligence, which briefed Scott Ritter, a former Unscom inspector, on what He said the committee it knew about the conceal-

The latest account has nevertheless emerged at the precise time that the US and its allies are seeking international support for what might be a sustained bombing campaign. Release of the information linking Mr Aziz to the secret committee, and the picture it paints of his duplicity, is clearly intended to undermine his credibility. gramme and Amar Saadi, a Much of the defector's

Mr Saddam's second son, Qusai, and including Lieutenant-General Abed Hamid. the president's private secretary, Amer Rasheed, the oil minister. Abdul Razak, the head of Irag's rocket propresidential adviser.

The new defector said this information is confirmed by Wafiq al-Samarai, extled ex- military logistics team also head of President Saddam included Mr Saddam's per-Hussein's military intellisonal bodyguard and that its

gence. He told the Financial work was co-ordinated by tonnes of three precursor chemicals for the production Times that the logistics of the Special Security Organihiding the weaponry was sation, al-Amn al-Amm. Its of the VX nerve agent. organised by a team led by activities include organising regular concealment drills.

Hiding places had included presidential palaces and farms, the private homes of Mr Saddam's close friends and state institutions. Mr Samaraí said he doubted that Mr Aziz was a decisionmaker on the committee but that he liaised with it and carried out its directions. Among the weapons said

On the biological weapons front, information from

defectors indicates Iraqi scientists have experimented with campelpox, which is genetically close to smallpox, and with the bacteria yersinia pestis, which causes hubonic and preumonic plague, and that they have the technology to produce anthrax on a large scale.

Unscom pullout, Page 14

US forces in the Guff

Sallors and Marines 5,600 Air Force personnel HQ and other units

action. Depending on Mr Saddam's approach to UN inspections, the most likely aftermath would be reversion to containment, perhaps with a tightening such as the extension of a no-fly zone over the whole of the country and a ban on movement of military assets.

It is less clear how this approach would prevent Iraq from proceeding with development of biological and chemical weapons. US and UK officials say iraq could rebuild its biological weapons capability within weeks and chemical weapons within months in the

absence of UN monitoring. Philip Sabin of the department of war studies at King's College, London says: "In practical military terms, there is not a lot we can do to address the issue of biological weapons." But he believes the impasse between the UN and Iraq bas reached the stage where bombing may be "a face-sav-

ing get-out for both sides".

Mr Netanyahu expects a stormy reception when he sends the accord to the Knesset in coming days. Clauses in the 1964 Charter had called for the

destruction of Israel but these were annulled during an historic vote of the PNC in April 1996 and specified in a letter Mr Arafat sent to President Bill Clinton last January. Mr Netanyahu said yester-

ratified last month's interim

peace accord with the Pales-

tinians, paving the way for

an Israeli troop pullback

from 13 per cent of the West

Benjamin Netanyahu. Israeli prime minister, con-

vened the cabinet after

receiving assurances from Washington that Yassir Ara-

fat, president of the Palestinian Authority, would arrest

lect illegal weapons, reduce the Palestinian police force and resume full security

Mr Netanyahu pushed

through the accord by a nar-

row margin in his 17 mem-

ber cabinet. Eight voted for

the accord, with four against

and five abstaining. Mr

Netanyahu said implementa-

tion of the agreement was

conditional on the Palestine

National Council (PNC)

amend the Palestinian Char-

ter "as required by the [Wye]

Memorandum." He also

insisted Israel would hand

over no more than 1 per cent

of West Bank land in the

third and last troop pullback,

during the interim accor-

Despite cabinet approval

co-operation.

Bank.

day he wanted the PNC to repeat the vote, even though it was agreed at the Wye Plantation talks just outside Washington that "invited members" of the PNC along with other senior PLO of cials would affirm the changes.

Palestinian officials said they resented the new conditions. "We will implement the accord to the letter, in accordance with the timeframe and I urge Mr Netanyahu to refrain from the language of threats and conditionality," said Saeb Erekat, Palestinian negotiator.

accord - due to be imple mented over a 12-week period - Israel will hand over 13 per cent of Area C, land under its full control, to either full or partial Palestinian control. Less than 3 per cent of the West Bank is currently under the Authority's complete control.

In addition, Israel will hand over 14.2 per cent of Area B. land under Palestinian civilian rule but under full Israeli security control, to the Authority's full control. By the end of the three months. Mr Arafat will have full control over 17.9 per cent of the West Bank and partial control over 22.9 per

 Israel's political map looked set to be redrawn after the religious and immigrant parties made big gains at the expense of the traditional Likud and Labour parties in local government elections.

In a sign of the increasing fragmentation of society. smaller parties dominated with Shas, the ultra-Orthodox party representing Sephardi, or Oriental Jews, and Yisrael Ba'Aliya, the Russian immigrant party. strengthening their hold in local councils

West plans damaging strike on Iraqi forces

A quick, highly damaging strike against military assets of Saddam Hussein is the most likely option for the west if the Iraqi president fails to beed diplomatic pressure in the coming days, defence experts believe.

Eleven days after Iraq ceased co-operation with United Nations weapons inspectors, the Unscom team rejecting inspections deepyesterday withdrew from ened its isolation, with Gulf lraq and the US stepped up countries not expressing forces in the Gulf.

The build-up toward mili- action. tary action has been in year's previous western muster public opinion move. so far to broker last-ditch ministers have been in the forefront from the start and in as little as a week's time. military plans have been worked on quickly and qui-

Royal United Services Insti- craft carrier Eisenhower assistant director of the

Fuel price

Zimbabwe

Zimbabwe security forces

stray bullet in Mutare on the border with Mozambique,

and half a dozen people were

arrested for suspected loot-

But some witnesses

claimed the 20-year-old man

was shot in cold blood at his home by security forces

incensed by an orgy of loot-

Workers across Zimbabwe

went on strike to press Presi-

dent Robert Mugabe's gov-

ernment to reverse a 67 per

cent fuel price rise, with

some challenging bim to

give more time to domestic

problems over foreign policy

Major industries were par

alysed, and Harare's central

business district was only

partly open as workers

heeded calls by the Zim-

babwe Congress of Trade

Unions to express their

anger over the fuel prices by

The labour movement

announced last Saturday it

would stage strikes every

Wednesday until Mr Mugabe

suspended the fuel price rise

and engaged the unions in

serious talks over a deepen-

Editorial comment, Page 15

ing economic crisis.

staying at home.

ing in the city.

tute in London said the with its battle group, and an absence of public attempts amphibious attack group in the west to enunciate a strategy, and of strident threats to crush Mr Saddam. had avoided mistakes made

in the past. Iraq's potential advocates, Russia and France - their patience with Mr Saddam exhausted - have not been moved to voice opposition to Washington's approach, he notes. Iraq has found that opposition to US military

Washington appears to be marked contrast to this pursuing an essentially military doctrine of keeping Mr threats against Iraq and Saddam guessing about the Serbia, with little attempt to timing and nature of its next

International security

experts believe air strikes settlements. Instead, defence are now more likely than not, and could be mounted As of Tuesday there were 23,500 US troops in the Gulf and 173 US aircraft. Of 23 US Jonathan Eyal of the ships - including the air-

ing Tomahawk cruise missiles. The UK has 24 aircraft and three ships.

The USS Enterprise, an aircraft carrier, and the USS Belleau Wood, a helicopter carrier, are due to arrive in the Gulf over the next two weeks, though the Enterprise is due to replace the This compares with 40,000

US troops and 400 aircraft massed in the region last February. When the numbers were reduced, the US left double the (unspecified) number of cruise missiles in the region than had been there previously, and also made provisions to augment forces quickly.

Yesterday, the Pentagon put contingency plans for rapid deployment of an air expeditionary force into action, sending a further 129 aircraft, 3,000 troops and Patriot missile batteries to According to Terry Taylor,



Security Studies, the targets be Iraq's conventional military capability: tanks, other military headquarters, bar- cruise missile strikes. racks and communications facilities.

The allies can be expected to draw on the plans they had in February, when it

International Institute for days of intensive bombing in mind. Though it was possible bombing would be carried out in phases, Mr Taylor said Iraq had previously paid armoured vehicles, aircraft, little attention to "pinprick"

One purpose of strikes, beyond punishment, would be to destabilise Mr Saddam's regime by undermining support for him within was believed they had four the military - especially if

damage during air strikes preceding the Gulf War in 1991. However, experts believe a military effort to topple Mr Saddam remains as unlikely now as it was in

they could hit the elite

Republican Guard which

managed to escape serious

ing containin would lead directly to further military

CLIMATE CONFERENCE CALL FOR COMMITMENTS BY DEVELOPING COUNTRIES TO ADOPT VOLUNTARY TARGETS FOR REDUCED EMISSIONS

violence in Menem pledges curbs on greenhouse gases

in Buenos Aires

said vesterday they had shot dead one man and injured several others in protests over a sharp rise in fuel itself to restricting future greenhouse gas emissions. A police spokesman said contentious issues being dis-

discussion about how counthere is deadlock over the ask poor countries to shoul: richer members of the G77 in tively undemanding targets could take part in the mech-Carlos Menem, president of anisms of the Kyoto proto-Argentina, said yesterday col, the treaty agreed last his country would commit December which committed industrialised countries to legally binding cuts of greenhouse gas emissions.

The issue of whether cussed at the United Nations - developing countries should - tion. But the G77 group of - because it would weaken the Mr Menem also called for highly controversial because arguing that it was unfair to would be unable to join countries might assume rela- under the treaty.

without which it will not ratify the Kyoto protocol. At the start of the twoweek UN conference, Argentina challenged developing environmental

nations to adopt voluntary targets for emissions reduc-

tries such as Argentina US insistence on participa der responsibility for the making voluntary committion by developing countries, problem of greenhouse gas ments. emissions that has overwhelmingly been created by richer countries.

Friends of the Earth, the group, described Argentina's that "everyone has to welmove as politically divisive

Mr Menem's announcement drew a cautious welcome from other countries. Mr John Prescott, the UK's pressure deputy prime minister, said come "moves to reduce emis-

and then use the protocol's flexible mechanisms to profit by selling excess emission "credits" to other countries. On Tuesday night, Saudi

Arabia and several other oil producing countries blocked agreement on Kyoto flexible sions. But there was a need mechanisms, as it argued climate change conference in make commitments on developing countries and negotiating position of for robust rules because of the case for compensation greenhouse gas emissions is China rejected the move, very poor countries, which concerns that developing for their loss of oil output

Mechanism for 'greening' investment appeals to business

Vanessa Houlder

reports on the debate about the 'clean development mechanism'

proposal for the "greening" of private invest-Ament in developing countries is attracting conspicuous support at climate change negotiations under way in Buenos Aires.

The "clean development mechanism" (CDM), one of three flexible mechanisms designed to reduce the cost of reducing greenhouse gas countries has been endorsed by business, some industrialised countries and much of

the developing world. The CDM would allow industrialised countries and companies to finance emissions-avoiding projects in developing countries, in return for credits they could gations. For developing countries,

it could bring foreign investment and access to cleaner technology. For industrialised countries, it could provide a cheaper and more flexible way to meet their emissions reduction targets. For business, it could bring market opportunities, new partnerships and a better public image The CDM could lead to

capital flows of between \$5bn and \$17bn, according to estimates by the World Resources Institute, an environmental think-tank. For many businesses represented at the UN conference. it represents an opportunity and a challenge.

"Business sees the CDM as a significant market-oriented opportunity," Bjorn Stigson, president of the World Business Council for Sustainable Development, a coalition of 125 companies from 30 coun-

offset against their own oblitries, said this week. He protocol, are extremely believes companies have a crucial role in the CDM, because they will be responsible for financing and implementing most emissions reductions over the next 15 years and because business-to-business partnerships are an efficient means of transferring technology.

Businesses are showing interest in the mechanism because they have aiready begun to examine the impli-Kyoto protocol. This laid down legally binding emissions reductions targets for countries, which governto some extent, to industry. Industry will want to

make reductions in the most cost-effective way, which could mean using the CDM to buy "certified emissions reductions" from companies But the details of the CDM, as described in Kyoto

vague. The current UN conference is trying to prepare the way for agreement on details of the CDM and other flexible mechanisms at a future date. There are several contentious issues that will have to be sorted out before it can go ahead. Will the investment flows

be fairly distributed around developing countries? Will there be limits on how far industrialised countries can use the mechanism to reduce emission targets? How will it be designed and monitored? Should nuclear energy or carbon "sinks" - new forests that are capable of absorbing carbon dioxide - be included in the CDM?

The poorest developing countries, mainly in Africa, argue that the distribution of existing aid projects is inequitable. They want assurances that they will such as CDML

tion, and is also pressing hard for a ceiling to stop industrialised countries from using the CDM - along with the two other flexible mechanisms, "emissions trading" and "joint implementation" - to satisfy most of their emission reductions obligations. It emphasises the need

for developed countries to

change their own pattern of

energy use at home. CDM use should just supplement domestic action, it says. The US, however, strongly opposed to the idea of putting a limit on the use of these mechanisms, which it argues would hurt developing countries' interests.

Environmental groups are concerned the CDM will end up as a loophole to enable developed countries to get off the hook of cutting emissions. In particular, they are concerned that it may embrace controversial proand carbon "sinks". They are also sceptical about the potential scale of the mechanism, believing companies will prefer to improve the efficiency of their own businesses, before investing in companies else

where. They are uneasy that multinational companies may use the mechanism to benefit from investing in their own subsidiaries in developing countries, These concerns have led environmental groups to oppose early decisions about

the operation of the CDM "We should resist pressure to start prematurely. It would undermine efforts to achieve ultimate objectives," says Greenpeace. But other participants in

the debate are anxious to see rapid action. "If we do not speed up the rules on early action the likelihood of meeting the Kyoto targets will be jects such as "clean" coal, small," says Mr Stigson.

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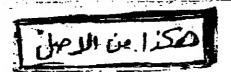
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The world's top 500 survey. Who's number 1?

The FT 500. The definitive company listing published with the Financial Times on January 21 and 22 1999.

FINANCIAL TIMES



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Santer plea to Clinton on sanctions

By Neil Buckley in Brussels and Frances Williams in Geneva

Jacques Santer, the European Commission president, yesterday made a personal plea to US President Bill Clinton not to implement sanctions over Europe's banana import

In a letter to Mr Clinton, Mr Santer said unilateral US sanctions would be a clear breach of its commitments to the World Trade Organiation. "Pursuing unilateral tion against the EU would be a political misjudgment at a time when the EU and the US should be working together in shared leadership to alleviate the world's economic difficulties."

He warned that the EU would launch a complaint against the US at the next meeting of the WTO's disputes settlement body on November 25 unless Washington withdrew the threatened sanctions.

after the US on Tuesday proposed 100 per cent duties on

Washington says changes already made do not do aough to improve EU tributors such as Chiquita judgments are vague and and Dole have large interests. The WTO ruled last tions. year that the regime discriminated unfairly in favour of dispute settlement procedure former British and French requires WTO members to Caribbean colonies.

Although the provisional sanctions list will be nar- if WTO rulings are not comrowed down after consulta- plied with by the agreed date based on 1997 figures.

Estimates by the Commissign, the EU's Brussels-based provisional list as it stood Ecu331m - despite Ger-

Italy would be next hardest hit, with Ecu311m, followed by the UK on Ecu167m must be produced within 90 and France on Ecul35m.

US stainless steel ruling

The US Commerce Department has said it has evidence that some stainless steel products from France, Italy and South Korea are illegally subsidised, AP

reports. Under the ruling, the US customs service will require importers to begin posting a bond or cash deposit to cover any retroactive duties that may be imposed later.

The ruling applies to stainless steel sheets and strips in coil. Sold in flat sheets rolled up like carpet the products are used in kitchen sinks, dishwashers chemical tanks and a wide range of other products.

general of the WTO, yester day also appealed to the two sides to sort out their trade Mr Santer's move came differences within the context of WTO rules.

posed 100 per cent duties on a broad range of products it out," he said. "The solu-unless the EU reformed its tion to this problem lies in banana regime by January 1. the rules themselves," he

The problem is that both sides claim to be abiding by access for bananas from the rules, which in the area Latin America where US dis- of compliance with WTO open to different interpreta-

> The US argues that the authorise compensating retaliation by complainants

tions with industry, a - for bananas January 1 spokesman warned that if 1999. The EU points to implemented in full it would another WTO rule stipulahit Ecul.39bn (\$1.5bn) of ting that differences over annual EU exports to the US, whether or not judgments are being complied with The list, he said, was should be resolved through "arbitrary in value, and arbi- the dispute mechanism, if trary in what it covers". possible by reconvening the original panel.

The US embarked on this survive, suggested the US course earlier this year but was frustrated by Brussals would hit Germany hardest, which refused to allow the affecting, trade, worth panel to reconvene before details of the revised banans tion to the EU banana agreed within the EU, a process that took until late October.

Any panel report - which days - would come after the

Renato Ruggiero, director- January 1 deadline. Internet music sales will hit the 'Big Five'

By Alice Rawsthorn in London

The "big five" multinational music groups will steadily mail order and direct digital lose market share to inde- delivery, will increase. Howpendent record labels over ever, it is as yet unclear how the next decade because of swiftly they will grow, and the growth of internet record how various areas of the sales, according to new industry will be affected.

A study, compiled by the Internet Underground Music Archive (IUMA), a US music group which has mounted software company, predicts an \$11bn bid for PolyGram, that by 2008, the big five -Seagram, Sony, Warner, EMI company, Seagram, like and Bertelsmann - will command 64 per cent of US bling that the internet will record sales in 2006, against offer an opportunity to 78 per cent last year.

Over the same period, the market share of independent labels will rise to 36 per cent from 22 per cent, according net sales from the big five the study, which predicts will represent 10 per cent of the US music market in 2002 the online music market's and 21 per cent in 2007, with growth will be traditional their traditional sales retailers and distributors.

net sales to rise from 1 per By 2007, internet sales by cent of the US music market independent labels will this year, to 15 per cent in absorb 16 per cent of the 2002 and 37 per cent in 2007, market, and their traditional when 20 per cent of all music sales 20 per cent. sold will be sent directly to Meanwhile, consumers computers by should benefit from lower digital distribution.

online music market, and its from \$15 today to \$14 in 2007 impact on the balance of if bought at a record shop, power within the industry, is \$13 if purchased through one of the most important internet mail order and \$9.50 issues facing the world's by digital distribution. record companies and retail-

accepted within the industry that online sales, both by

The issue is particularly sensitive for Seagram, the Canadian entertainment the world's largest record other multinationals, is gamenhance profitability by selling music directly to con-

IUMA forecasts that interaccounting for 63 per cent IUMA also expects inter- and 43 per cent respectively.

prices. IUMA expects the The expansion of the average album price to fall

Music's Online Future. \$495IUMA, 303 Portero St Music is among the most #7A, Santa Cruz CA, 95060, popular themes on the inter- USA. Tel: 831 426 4862

CORRECTION

Unctad report

The e-mail address given in yesterday's FT for the UN publications office in Geneva, to order copies of the World Investment Report, was incorrect. It should have read:

2000 reasons why India's software industry is feeling joyful

Solving the year 2000 problem and providing programs for the introduction of the euro is proving a bonanza for software exports, reports Mark Nicholson

proving a boon in India, mostly to companies in the 3,800 miles away from the European Central Bank. The country's blossoming software industry expects to reap at least \$2bn in contracts from banks and

currency by 2002. By 2000, India's software Europe were just 5 per cent sector could be earning a of total exports in 1994, but third of its expected \$6bn in the proportion, driven by software export earnings through offering euro conversion services and this fiscal year - part of an from offering services and packages, according to overall 65.6 per cent towards Indian-branded estimates from the National rise in software sales in software products and Association of Software and Service Companies period. (Nasscom), the industry

Moreover, the industry, now enjoying an eighth successive year of export growth exceeding 50 per cent, sees the euro as offering another step up the low-cost, labour-intensive software services. Initially this was done by physically

The move to a single Indian software engineers to European currency is service clients abroad,

"Europe has been slow to wake up to Indian software," says Dewang Mehta, Nasscom's director. "But, thanks in companies adjusting their part to the euro, it's now systems to the unified waking up very fast."

Indian software sales to euro-related business, hit 23 per cent for the first half of rupee terms for the

software sector as, led by a host of ambitious and clients - still account for 90 increasingly global per cent of export earnings. increasingly global per cent of export earnings. companies such as Infosys But the trend towards Indian Technologies, Satyam Computer Services, Tata value added chain for an Consultancy Services and linked by leased 64kbs industry founded on offering chased by a plethora of high-speed data links to smaller wannabes, the industry shifts from offering elsewhere, is marked. While this was done by physically clients on-site services, to in 1991 some 95 per cent of "Smaller companies will flying out skilled, but cheap, Indian-based "offshore" Indian software earnings benefit most from the

service - and seeks came from flying engineers eventually to shift away

Software services - where The shift is part of a Indian companies offer transformation of India's tailored software problem solving to specific corporate companies offering their services remotely, usually clients in the US and

to foreign clients, the proportion this year is down to 61 per cent and expected to fall to 55 per cent within

three years. The indian government's recent decision to end the state monopoly on providing accelerate the trend, making it easier for small software houses to serve overseas clients from Hyderabad. Bangalore, Pune or Madras. without having to pay the Rs800,000 (\$20,000) for each point-to-point high-speed data link.

"Smaller companies will

internet policy," says L Subramanyam, editor of Dataquest, the industry those of hig manufacturing magazine. "The 50-100 companies, is still person units, the little predominantly servicesoftware shops: they won't need leased lines or to make sophistication, and offering the rounds of the work beyond the hureaucracy to get them, or

pay the high rentals." The rising euro-related business will also weap a number of years," says Mr India's software companies away from their reliance on the US, where they now do 58 per cent of their overseas business. Industry executives also believe it will belp the bigger software companies move up the value-added chain, away from simply offering low cost problem solving - such as solutions to the year 2000

About a fifth of the 40,000 Indian software engineers servicing foreign clients are employed on year 2000 solutions. This work accounted for 23 per cent of the Rs50bn (\$1,18bn) in export earnings for the six months to September. "It's labour intensive, often tedious and dull work," says Mr Mehta, "But it pays." India has already won year 2000 business worth \$1.5bn. according to Nasscom. It expects the final tally to be

Refashioning European bank treasuries' systems, or oriented work, but of more millennium. "The euro business offers a much wider software challenge, and over

Mehta. "You have at first the 11 countries immediately, their transition period, then new countries joining - while also finding opportunities for companies need system changes." Tata Consultancy Services India's biggest software company, for example. recently won a contract from the Bank of Scotland to make curu-friendly.

"The European market will develop very quickly, says B. Ramalingaraju, chief executive officer of Satvant Computer Services, who says Hyderabad-based a marketing campaign in Europe - offering in the process, and rather numbly, package designed to address both the euro and year 2000 at one

AMERICAN SERVICE SERVICE AND ASSESSMENT

"Imagine your child is highly allergic to certain medications. But you're both seriously injured in an accident, and the hospital is about to give her an injection that could prove deadly. Now imagine you're carrying a smart card encoded with all her critical medical information. The hospital scans the card and she's out of danger. I know this because I helped design the reliable connectors that are reading medical smart cards in Germany right now. If we're lucky, they'll be everywhere before long. And so will my connectors."



ITT INDUSTRIES' PROPRIETARY LANDING MECHANISM FOR SMART CARD CONNECTORS REDUCED THE NUMBER OF COMPONENTS AND USED TAGUCHI ANALYSIS TO OPTIMIZE THE ROBUSTNESS OF EACH UNIT. IN ADDITION, AN ALLOY OF PRECIOUS METAL IS ROLLED ONTO THE BASE METAL AND HEAT TREATED FOR RELIABLE CONNECTIVITY THAT LASTS 10X LONGER THAN TRADITIONAL GOLD PLATING.

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China poised to pass securities law

China is finally poised to pass a securities law after six years of official consideration, but there is a growing sense of disappointment it will fail to address a number of crucial issues in the financial services industry.

The law is likely to omit provisions to regulate the issuance and trading of debt instruments, convertible more "stable and transparbonds and derivatives, ent system". according to people who have seen the most recent 1992, has been held up over a draft of the law.

governing the transfer of government authorities and state-owned or "legal per- local officials for the power son" shares, a problem that to oversee the two stock has proved a critical obstacle exchanges in Shanghai and

transparent corporate culture in China.

"The new law apparently will not address some of the more sensitive issues inherent in China's corporatisa-Nicholas Howson, partner at the law firm Paul, Weiss in Beijing. However, he said it would still represent a milestone for the creation of a

The law, first drafted in number of issues, notably a Nor will it clarify rules turf war between the central

to the development of a Shenzhen. A compromise now appears to have been struck, under which "most legislators agree that the securities management system should be subject to the dual leadership of the cention programme." says tral and local governments." according to a state media report.

Stockbrokers will welcome the securities law, now expected within a matter of months, but they are concerned about the holes in the legislation. Li Yining, an eminent economist and member of the standing committee of the national people's congress that is currently considering the draft law, has acknowledged the shortcomings.

reduce market risk, but will in no way solve all existing problems," he said. The draft failed to cover futures trading, but he said that was "in no way tantamount to a ban on futures trading".

The law is expected to cover the issuance and trading of securities in Chipa, the dissemination of market information, disclosure requirements, fraud, takeover regulation, regulation of exchanges and the penalparticipants.

troubled trust and investment companies, which may enforce the law where exist-

least to some extent, help the securities markets as well as restrictions on banking and property.

Legislators in Beijing have indicated that the law will also mean tougher punishment for market irregularities, such as insider trading, the illegal use of customer margin funds, spreading false information in the market and the corruption of securities exchange offi-

Some analysts have suggested that the clampties and liability for market down on irregular market fusing shareholding strucactivity may squeeze It is is also expected to liquidity and depress define the role of China's prices in the short-term, if the authorities chose to

"The securities law will, at face a bar on operations in ing regulations are currently

One of the most important issues for Chinese stock brokerages will be the measures taken against proprietary trading and the diversion of clients' cash deposits by many firms to fund their own equity investments. which represent a huge volume of trade on China's

exchange One of the many concerns about the Chinese market that has deterred foreign investors has been the conture of Chinese companies. which have a range of different types of share that have different values and different voting rights.

NEWS DIGEST

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JAPANESE CONSUMPTION TAX

poment in LDP may agree tax cut to help form coalition

Japan's ruling Liberal Democratic party is considering the possibility of cutting the controversial consumption tax as part of a deal with the opposition Liberal party aimed at forming a coalition government.

Yoshiro Mori, LDP secretary-general, and Takeshi Noda. his Liberal party counterpart, agreed yesterday to begin policy talks which would include the possibility of a temporary cut in the 5 per cent tax to stimulate domestic consumption. Keizo Obuchi, the prime minister, is to meet Ichiro Ozawa, head of the Liberal party, on Monday.

The Liberal party, which has called for the consumption tax to be cut to 3 per cent, is the most likely among the opposition parties to support LDP legislation, such as implementation of the new US-Japan security guidelines. Most members of the party, including Mr Ozawa, are former members of the LDP.

However, resistance within the LDP to a reduction in the consumption tax remains strong. "It took us 10 years to get the public to accept the idea of a consumption tax. Some politicians lost their seats as a result," said Takashi Fukaya, chairman of the LDP general council. At the same time, a number of important members of the ruling party are strictly opposed to joining hands with Mr Ozaw whose defection was seen as the trigger for the LDP's fall from power in 1993. Michiyo Nakamoto, Tokyo

CLINTON-DALAI LAMA MEETING

Beijing condemns Washington

China launched a fierce attack against the US yesterday after Bill Clinton, the US president, met the Dalai Lama, the Tibetan leader, earlier this week. Beijing also protested against a visit to Taiwan by Bill Richardson, the US energy secretary. The Chinese foreign ministry said Beijing had lodged a protest with Washington and demanded the US correct its "mistakes".

"The US actions completely violate the international norm for international relations of non-interference in internal affairs and mutual respect for sovereignty and territor Integrity," he said.

China is highly sensitive over Tibet and Taiwan. Widely criticised for its harsh treatment of Tibetans after invading in 1959, China condemns any dealings with the Dalai Lama who lives in exile and is seen by many Tibetans as the country's natural leader.

Beijing regards Talwan as a renegade province and a main plank of its foreign policy has long been aimed at isolating it internationally. Reuters, Beijing

INDIAN ECONOMY

Industrial growth slows further

india's industrial growth slowed further in September, with official figures showing industrial growth up just 1.4 per cent for the month, compared to the same month a year ago. Industrial growth in August had been 4.2 per cent, compared to the same month in 1997.

The decline means growth in manufacturing, mining and power generation - the components of the official indus trial index - slowed to 3.6 per cent in the first half of the Indian fiscal year to September, compared to the same period the previous year. Industrial growth averaged 6.5 per cent last year. The figures showed a slowdown on all fronts, with manufacturing growth at 2 per cent in September, down by half on August's 4.2 per cent improvement; electricity production up just 2.6 per cent against 6.8 per cent a month earlier, and mining activity plunging to a negative 4.9 per cent after August's minimal 0.6 per cent increase. Mark Nicholson, New Delhi

Manila sends naval force

The Philippines announced yesterday it was sending forces to monitor the Chinese presence on a reef in the disputed Spratty Islands in the South China Sea. President Joseph Estrada said he had instructed navy and air forces to "block exit and entry points" to the disputed area around Mischief Reef where Manila claims Beijing has been expanding a small structure. Later the president's office said Manila would not resort to "military confronta-

The Sprattys are claimed in part or whole by China, Viet-nam, the Philippines, Malaysia, Taiwan and Brunel and are believed to have significant oil and natural gas reserves. China has denied any "creeping invasion" of the Spratty islands. Tony Tassell, Manila

Floods force Grameen bank to raise \$40m

By David Chazan in Dhaka

The Grameen bank, the ploneering Bangladesh microcredit institution, is to horrow \$40m from the country's central bank to help sustain its lending schemes for the poor, disrupted by the recent floods.

Lutfor Rahman Sarkar, governor of the Bangladesh Bank, said Grameen had asked for a loan of nearly \$100m, repayable over five years, but the bank had agreed to lend it \$40m. repayable within one year. at the normal bank rate of 7.5 per cent interest.

Grameen, whose founder Muhanmad Yunus has been Internationally acclaimed for his role in the microcredit movement, lends to more than 2m Bangladeshi families - more than 6m people.

A quarter of the population of Bangladesh bas been assisted by institutions such as Grameen which provide small loans, generally less than \$100, given to women to buy livestock, plant small-scale crops or start simple businesses such as weaving. Microloans now outstanding total more than

Many microcredit schemes were thrown into crisis by the recent floods, which wiped out crops and liveeral months. Between a third the rural economy.

behind on repayments. Muzammel Huq, Grameen's general manager, said the bank needed money to help borrowers replace their meagre assets and capital. "If we are able to give them fresh loans, from January things will go back to normal," Mr Huq said.

He and Dr Yunus rejected suggestions that Grameen's operations were under threat because it had only succeeded in raising less than half of the money it had asked for. ""You can always go back later." Mr Hug said, expressing optimism that Grameen would eventually find additional funding.

Dr Yunus said Grameen had also approached the International Finance Corporation, the private-sector arm of the World Bank, for a longer-term loan of \$100m to "meet extra demand from borrowers in the wake of the

In the early 1990s, according to Professor Wahiduddin Mahmood, who chairs a microcredit consultative group. Grameen borrowed and repaid - about \$150m at commercial rates to help fund rapid growth.

Dr Yunus says borrowers in the system for 10 years have gone from being destitute to owning houses, but stock, and disrupted the the floods have washed away rural economy, leaving mil- many of those gains and lions without income for sev- there is little money left in



Anwar Ibrahim leaves court in Kuala Lumpur yesterday after the eighth day of his trial. Foreign criticisms of prime mink

Howard under pressure on Anwar

Peter Montagnon in Sydney

John Howard, the Australian prime minister, is facing growing pressure on both international and domestic fronts. He is under attack over his intention to hold talks with Mahathir Mohamad, the Malaysian leader, at the forthcoming Asia-Pacific heads of government meeting in Kuala Lumpur and over parliamentary opposition to his ambiflous

tax reform plans. Mr Howard yesterday reconfirmed his intention to meet Dr Mahathir at next week's Asia Pacific Eco-Jakarta assembly

Mahathir, who is chairing urged the Australian governthe summit, could help Australia's attempts to persuade regional leaders to adopt trade liberalisation measures and stricter financial codes. Critics in Australia and

abroad have called on Mr

Howard to follow the examples of President Bill Clinton and Jean Chrétien, the Canadian prime minister, and cancel talks with Dr Mahathir to protest against the brutal treatment of Anwar Ibrahim, Malaysia's former deputy prime minister, who is facing charges of sodomy and fraud.

Amnesty International,

ment to set a regional example and place more importance on human rights in hir Howard's second term of office.

A senior envernment minister told the Australian parliament yesterday that Mr reflection of the government's dilemma over the meeting, the foreign minister, Alexander Downer, said last night that Mr Howard would most likely use the talks to insist on a "a free and fair trial" for Mr Anwar.

Also in parliament yester-

Officials said talks with Dr rights group, this week tive coalition was forced to agree to an inquiry into the prime minister's plan to introduce a 10 per cent goods and services tax. Mr Howard made the tax

plan the centrepiece of his election campaign and said after his re-election that the victory had provided suffi-Howard would "put Austra-lia's interests first". But, in a GST legislation to parliacient mandate to present ment without an inquiry. But the coalition, which lacks a majority in the influential Senate, was forced to accept an inquiry, which will almost certainly result in significant changes to the GST plan. The most likely changes include the exemp-

Singapore may act to cut business costs

A Singapore government panel yesterday recomcutting measures designed to make the city-state's business more competitive, helping companies through the regional crisis and limiting further job losses.

Companies have long complained that, while Singa-

very expensive relative to points. mended a range of cost-neighbouring countries. The regional financial crisis has reduction in the levy on widened the cost gap by skilled and unskilled foreign producing far steeper cur- workers in manufacturing rency depreciations in neigh- and services by S\$100-S\$50 bouring countries.

pore's better managed and butions to the Central Provi- lower land and factory rentmore transparent system has dent Fund, the national pendistinct advantages, it is sion fund, by 10 percentage

The panel called for a (US\$61-US\$30.5) per month, The committee's main and to consider a similar cut recommendation is to cut for skilled foreign workers in the rate of employers' contri- construction. It also urged

als, cuts in electricity and telecom charges, lower government taxes and a cut in customs and petrol duties.

The committee, whose report now goes to parliament, sald its package should reduce business costs by about S\$10bn a year. which is equivalent to about 7 per cent of Singapore's

backs calls for Suharto inquiry

By Sander Thoenes in Jakarta

legislative body yesterday and a press photographer acceded to the two main after a car with students, demands of student protesters, calling for a more thorough investigation into the wealth of the former president. Suharto, and confirm- road, leaving much of the ing plans to phase out the centre jammed. nulitary seats in parliament.

ment-backed Golkar faction than in previous days and in the People's Consultative disarmed a controversial Assembly, which combines 50) parliament delegates and 500 appointed members, said it supported student calls for of these supporters, some of a thorough investigation into corruption and abuse of power, including by Mr their bamboo spears after

loyal faction in the assembly. Golkar also proposed to phase out the 75 military seats in parliament.

These two proposals, to be adopted tomorrow, go a long way towards meeting student calls for a trial of Mr Suharto and the immediate removal of the military from which has clearly in the past parliament and government.

assembly elected Mr Suharto as a whole." by acclamation but delegates are eager to curry favour with voters before fresh general elections next May or

students joined protests may well prove a minority.

across the capital yesterday. Troops fired blanks into the highest air and beat two students trying to pass the blockade. hit five soldiers. Other groups railied near parliament and on the main toll

The duminant govern- more room for manoeuvre gang of government supporters which had provoked clashes the day before. Many whom admit to being paid to protest, yesterday handed in parliamentary members and Long Mr Subarto's most government ministers called on the military to pull them

back to parliament. Mr Wiranto defended the use of civilian guards yesterday. He said the military would change its political role "gradually" but rejected "a process that would push aside a force of the nation made a very large contribu-As recently as March, the tion to the life of the nation

With Golkar joining the Islamic United Development Party on the issue of reducing the army's role in politics and two other factions Despite the assembly's expected to follow suit, the turnaround, more than 5,000 military faction in Congress

Pixie dust cannot disguise The military gave them Hong Kong's economic pain Louise Lucas reports that any celebrations for a forthcoming recovery are seen as being premature

economic recovery have been made by the government: securities bouses are vying with each other to set the biggest stock market targets; and Lan Kwai Fong. the yuppies' after-work play area, is heaving. "Rising stock prices cause

pixie dust to get thrown in your face," says Paul Schulte, regional strategist at ING Barings. Pixie dust is perhaps the best explanation: Hong Kong's economy is forecast to shrink some 5 per cent this year and the toll of

bankruptcies and suicides is rising, Not everyone, however, is joining the euphoria. The business community remains bearish; Peter Sutch, chairman of Swire Pacific, the solidation and small-scale British-controlled conglomerate and head of the Hong Kong General Chamber of ushered in the new bullish straight months. Pay cuts

missed it as a false dawn.

ong Kong is back in sovereign. China) and big cantly reduced," he says.

bull mode. Sightings of write-offs.

Panic has been partly b Last week, with gallons of

Paliburg, a property and hotels group, sought refinan-cing of a missed loan repay-ment; and Marks and Spencer became the latest retail group to cut staff.

And, while Morgan Stanley tipped the benchmark Hang Seng Index to reach 13,000 by the end of the first quarter of next year and Merrill Lynch proclaimed the bottom for the property market, other investment banks were signalling a more cautious mode: Barclays Capital and Salomon Smith Barney both laid off staff (the latter claiming con-

"housekeeping").

. What has changed, and Commerce, recently dis- mood, is the disappearance of "that element of panic", Mr Sutch and his like are says Dong Tao, senior econonot being party poopers. The mist at CSFB. "Hong Kong ing that period continued. corporate landscape has still needs 12 to 18 months to Unemployment has been been badly scarred by the solve its fundamental eco- one of the biggest problems downturn: shuttered shops, nomic weaknesses, but we to hit Hong Kong since the

Panic has been partly ban-ished by what Sir Donald Last week, with gaudies of over-priced beer being quaffed in Lan Kwai Fong, Hong listed as "encouraging" signs: more stable financial an easing of short-term liquidity, lower interest rates, a rebound on the stock market and

regional environment.
Indeed, Sir Donald underplayed his hand; the benchmark three-month interbank interest rate, at 6.8 per cent on Tuesday, is around half the level of August and the stock market has gained some 30 per cent since the government stopped buying shares on August 28. Registration for a recent sale of luxury apartments was eight times oversubscribed. But he also allowed him-

self a little indulgence. Unemployment has "stabilised" at 5 per cent for two (or ruses such as removing bonuses or demanding extra hours for the same pay) dur-

knew an employee's market exposed by the Asian turart of making beds and cooking, in order to become amahs (malds), a job rated by school pupils below prostitution.

casting three years' of reces-

4.5 3.5

1983 85 87 89 91 93 95 97 98 1983 85 87 89 91 93 95 97 98

is now seeing some 1,860 moil: an asset bubble which women being trained in the had let costs soar without heed to productivity gains. But the territory was also victim. Its capital markets,

proudly free and open, came under attack. The Hong Mr Tao at CSFB is fore- Kong dollar alone of the region's main fully-convertsion - another two after 1998 ible currencies, preserved its - as adjustment continues. link to the US dollar but at a new owners (with several think the worst is over and white knights emerging from the probability to see a system of Kong's Communist tematic meltdown is significant. The long period highlights cost of high interest rates Hong Kong's own weakness, which compounded the Asia-

Railways may be privatised

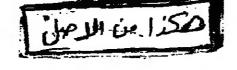
Hong Kong said yesterday it railways and toll tunnels in an effort to generate income Louise Lucas reports. The government has forecast a budget deficit of more than HK\$20bn (US\$2.58bn) for the fiscal year to March 1999, a reflection of a sharp fall in income from land sales and the recession. Jewels in the government crown include the Kowloon-Canton railway and the Mass Transit railway.

As Sir Donald notes, interest rates are lower, but the onset of deflation means Hong Kong is set to enter a period of its highest of real interest rates in over a decade. HSBC, which as the territory's biggest bank is seen as having the closest grip on trends, is forecasting a fall in the consumer price index next year of 3 per Mr Schulte of ING Barings

reckons deflation belies the current stock market rally, which presumes rapidly falling interest rates as inflation stabilises. That presumption. he says, is a pipe dream. But it's a pipe dream that Hong Kong is buying. The waiting list for Hermes' cov-

eted Birkin leather bags has risen to two years: by which point, deflation may have whittled back the HK\$35,000 (US\$4,500) price tags.

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rise in the number of people

actively participating in the

labour market. Neither this

nor a big jump in new vacan-

cies notified to Job Centres

suggests a dramatic fall in

The government yester-

day dismissed claims that its

policy of raising fuel duty

annually above the rate of

inflation was driving British

haulage companies out of

business. George Parker

writes. Owen Patterson, a

member of Parliament from

the opposition Conservative

economic activity,

opponent in »pact on euro

By Robert Peston and George Parker

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LOP may agree tax cut

Tony Blair, the prime minister, and Paddy Ashdown, leader of the pro-European Liberal Democrat party, yesterday formed a common frunt to keep the Conservatives out of office and campaign for the introduction of the European single currency in the UR.

in a joint statement, they pledged to work together against a Conservative party which seems determuined to travel further and further to the right".

They also announced a widening in the agenda of their joint cabinet committee, set up by Mr Blair a year ago to discuss common aims

un constitutional reform. The prime minister's official spokesman said the committee - unique in modern times - may in future look at "parts of the welfare reform agends, possibly the policies we are pursuing on health and education, and maybe some of the commitments that arise out of the way we are trying to change our relations with Europe".

A senior Liberal Democrat said that it would be the platform for a cross-party ampaign to take the UK into the single European cur-

statement was a "defining moment, a watershed". It challenge the many mem- tion" Mr Blair said.

bers of their parties who resent the gradual convergence. Leftwing MPs in the governing Labour party are convinced Mr Blair is conspiring to force the party into a formal coalition or merger with the Liberal Democrats.

This was denied by the two leaders who said their parties would "continue to offer different choices to the British people in the ballot box whenever the appropriate opportunity arises".

But in a veiled attack on the Labour left and on Liberal Democrat critics of closer co-operation, they described their initiative as an "important step" against "destructive tribalism".

Mr Blair has been searching for ways to strengthen links between the two parties, in part to bolster the position of Mr Ashdown. who has been criticised by his colleagues for failing to secure a cast iron government commitment that a promised referendum on electoral reform would take place before the election.

In a separate House of Commons statement yesterday, Mr Blair appeared to distance himself from Jack Straw, the home secretary, who has angered Mr Ashdown by indicating that the plebiscite is more likely to He added that the joint take place after the next election.

"It had always been envismarked the moment when aged the referendum would the two leaders decided to take place before the elecTHE ECONOMY QUARTERLY REPORT INSISTS THAT RISK OF INFLATION MUST STILL BE TACKLED DESPITE FEARS OF RECESSION

Central bank cool on hope of further rate cut

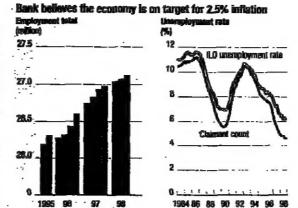
The Bank of England vesterday damped expectations of another interest rate cut in the near future, even though it expects weaker economic growth than the Treasury over the next two years if rates stay

report, the UK central bank said the planned minimum wage would help nudge underlying inflation - which excludes mortgage interest payments - up to 2.75 per cent in the middle of next year, before it drops back towards the government's 2.5 per cent target

in its latest quarterly

If interest rates stay at their current 6.75 per cent, the Bank believes there is a 55 per cent probability that inflation will undershoot the target in two years. This does not provide sufficient room for manoeuvre to justify further rate cuts yet.

The risks to the inflation forecast are now broadly balsury it sees only an outside



anced," said Mervyn King. chance of recession. Since deputy governor responsible the last Inflation Report in for monetary policy. "But August, the world economy there is considerable has weakened, share prices uncertainty about the cenhave fallen 5 per cent and tral projection for inflation, not least because of the hasiness and consumer confidence have tumbled. uncertainty about the profile Analysts estimate that the for earnings growth."

Bank is pencilling in a little The Bank expects a sharp under 1 per cent growth next slowdown in the economy year and 1.75 per cent in 2000. Last week the Treasury next year, but like the Treapredicted 1 per cent and 2.25

indiation projection RPIX (excluding mortgage interest payments), assess % change

rates fall again. The Bank warned that rate cuts of the magnitude expected in financial markets - to 6 per cent or below - would see inflation over-

Interest rate expectations rose in the sterling futures market on the report. The

per cent respectively, but overnight fall, but ended this assumed that interest

inflation. Official figures showed that UK unemployment in the three months to shoot the target. September had risen by 3,000

pound reversed some of an by a 124,000-strong rise in

down from Tuesday's close. The Bank said that labour market conditions were important to the outlook for

on the preceding threemonth period. But this rise was dwarfed

party, told the House of Commons that the "fuel escalator" would force some UK hauliers to relocate to other European Union states. But Patricia Hewitt. economic secretary to the Treasury, said Britain had lower corporation tax, wages

other EU states. Samuel Britlan, Page 14 Editorial Comment, Page 15 Lex, Page 16

and social costs than many

Moody's reduces profit forecast for Lloyd's

Insurance Correspondent

Mounting losses and testing marketing conditions have adversely affected the profitability outlook for syndicates trading at Lloyd's.

according to Moody's, the writing in 1998 and 30 per credit rating agency. cent of those writing in 1999. Moody's has revised down Mark Hewlett, managing its forecasts for the London director of Moody's Euroinsurance market, especially pean property, casualty and for the open years of reinsurance division, said: account: 1997, 1996 and 1999. "Unfortunately we do not A profit of just 1.4 per cent foresee any immediate

The

of the market's underwriting improvement in insurance capacity is now forecast for rates for most business clas-1999, compared with the 12.1 ses, a key determinant of per cent return recorded in profitability, due to the large amounts of excess capital agency has also remaining in world insurplaced loss warnings on 32 ance markets."

per cent of the syndicates The latest global Llovd's forecasts indicate small market profits of 2.2 per cent of capacity in 1998 and 1.4 per cent in 1999, assuming a normal incidence of loss. But Moody's warned that both years would be rendered lossmaking if affected by a

Moody's said 1999 was the red for the first time forecast to be the motor sector's fifth consecutive loss year, although it was the only sector showing signs of improvement.

It said 1997, with a forecast loss of 9.8 per cent, was considered to be the bottom of the current motor underwriting cycle.

The aviation sector, which the recent Swissair disaster.

The best way to understand someone is to share the same view.

since 1992 with forecast losses of 0.7 per cent of capacity in 1998 and 0.8 per Moody's said 1997 had become more horderline

with a forecast profit of only 0.6 per cent. The marine sector continued to show the severest reduction in profitability, with profits expected has suffered recent satellite to fall from the 21.6 per cent and airline losses, such as made in 1995 to just 4.4 per

sector in the Lloyd's market, was forecast to produce cent in 1998 and 1.5 per cent in 1999, compared with the

8.6 per cent made in 1995. Members of the London International Insurance and Reinsurance Market Association yesterday voted to London Underwriting. The merged body will be called the International Underwriting Association.

1985 Over Liber

Ritual of Mag

Question of payment is at the heart of family-friendly policy

When Britain introduces a statutory right to parental leave, it will still be far behind most of the EU, Alison Maitland writes

leave directive and thereby for all working parents to three months' leave. How- of men take some parental ever, such absences will be at the employees' expense and today a coalition of family organisations and trade unions launch a campaign for paid leave in the UK.

For the organisations involved, it is a potentially radical step: official recognition that there are times for working men as well as women when parenting is more important than anything else.

But will things really change? Recause parental leave will not be paid in the UK it puts the country in a its own be enough of an minority among EU states, it will mean low take-up, especially by men, according to needed, for example in speakers at a London confermee this week organised by New Ways to Work, a charity promoting workplace theribility and choice.

Fewer than 2 per cent of men in the EU take parental leave, partly because of loss of meome, according to Commission European research. Nine of the 14 other member states make payments, but these are usually not earnings-related. In some countries such as Germany they are available only to low-income groups. By

The UK will next year contrast in Sweden, the unbecome the last Euro- rivalled leader in familypean Union state to friendly state provision. implement the parental employees get 80 per cent of their salary for the first 360 introduce a statutory right of their 450 days' entitlement. The result: about half

> "Payment sends a message in a society based on capitalist values that childcare is valued," says Linda Haas, sociology professor at Indiand University, who has been studying men's use of parental leave in Sweden since 1975.

Other speakers pointed out that single parents and those on low incomes would find it hard to take up their entitlement to unpaid leave. But financial compensation. while necessary, may not on incentive to men to take leave. Cultural change is reducing the long hours worked by British fathers, the conference was told.

in Belgium, 85 per cent of those taking up compensated career breaks are women. "You really have to persuade men, and employers, that taking a break does not mean any less commitment to your company and your work." says Dirk Remy of the Flemish Family League.

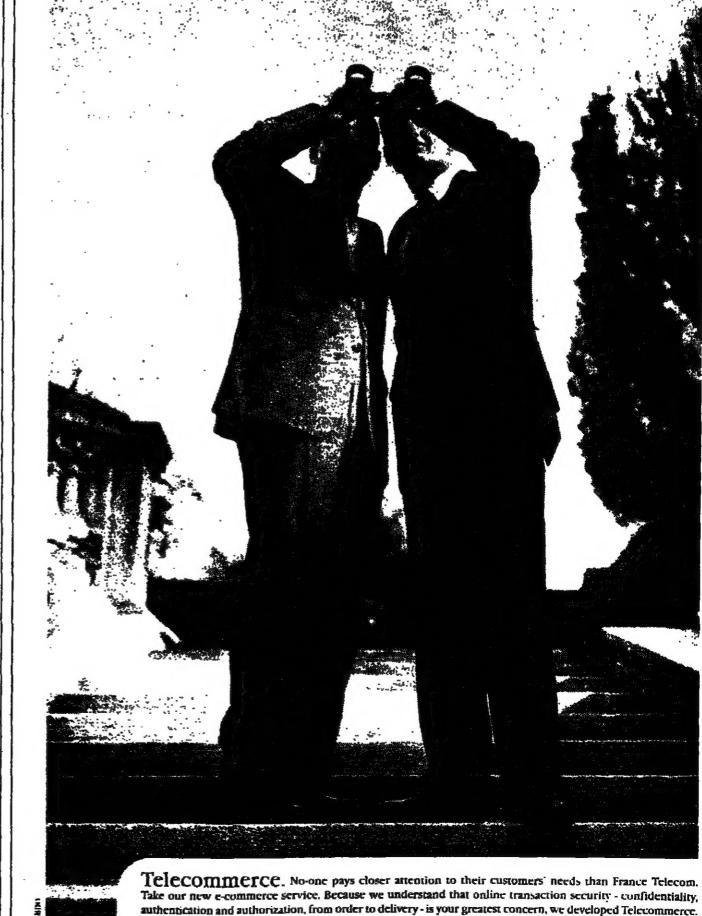
The UK government hopes to achieve this sort of cultural change with several measures - not just parental working hours, rights for part-time workers and the planned extension of maternity leave from 14 to 18

"This is a minimum standard and we hope employers will build on it in some way." says the Department of Trade and Industry. Businesses are wary of parental leave, not surprisingly given the UK government's calculation that implementing the directive will cost industry £54m (\$89.6m) a year.

Stephen Alambritis of the Federation of Small Businesses will warn today's campaign launch that paid leave, even if borne by the taxpayer, would cause cashflow problems for small enterprises having to pay out and then claim

He will call for flexible arrangements for employers with fewer than 20 staff so that key employees are not away at the same time. The Industry, the UK's main employers' organisation, has urged the government to introduce only the minimum requirements under the directive.

Yet there could be benefits in terms of better staff retention and less absenteeism according to Demos, the leftleaning think-tank. There are potential paybacks for the taxpayer too: in Belgium, parental leave has been used to cut unemployment with employers obliged to take on replacement workers from the ranks of the jobless.



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Accounting for arms exports delayed

ence Correspondent

The government has been forced to delay publication of its first annual accounting of arms exports, an important part of the ethical foreign to suggest a new target. He policy undertakings it gave said an "enormous" amount last year. The delay is of work had been done and embarrassing for ministers there was "total commitwho want to be more open ment to publishing this about weapons, of which report". Britain is the world's second largest exporter.

Tony Lloyd, a Foreign from the present govern-

current parliamentary session, which ends on November 19. However, that deadline will be missed and Mr Lloyd was unable yesterday

The first report was

report would be issued in the to the end of that year. How- Excise. ever, one option being con-1997 and 1998 together. The required by ministers.

Office will publish the tomers. report, statistics come from the Department of Trade and intended to cover the period Industry, the Ministry of the previous annual listing Defence's export services

There are not believed to

ties in assembling data to amount of information that the degree of transparency should be published, with the defence ministry worried Although the Foreign about sensitivities of cus-

> was to go much further than of numbers of licences given

These followed "military list" categories, giving little sidered is to wait until next be any serious disputes information of lethal potenyear and publish data on among ministers. However, tial and scale of sales. Parathere is considerable debate chutes and crash helmets delay is the result of difficul- between departments on the are included in the same cat- Customs & Excise departegory as aircraft.

The government wants to publish a more specific accounting of equipment Officials said the intention This is understood not to pose serious problems. What has caused larger difficulties is the government's desire to

ment's accession in May 1997 organisation, and Customs & for sales to each country. publish details of actual exports. Apart from raising issues of customer and commercial sensitivities, this gives cumbersome work to the defence ministry and the

The government said it would not permit the sale of arms that could be used for covered by licences granted. internal repression or external aggression. However, companies say in practice the guidelines do not differ much from previous policy.

Murdoch's TV rival aims to keep his footing on the roof

At the touch of a button

UK Style, UK Arenas

The world's first digital service via ordinary aerials gives its boss what seems to be an impossible sales job, says John Gapper

Grabiner has an impos-sible job. He has to persuade British consumers to purchase an experimental believed that On Digital product from a company few have heard of.

As chief executive of On Digital, the first pay television company to take on Sky Television since the ill-fated British Satellite Broadcasting, even he admits his corporate life expectancy may be on the low side.

second-riskiest job in television after British Interactive sceptics by Broadcasting (the home shopping and banking company that is on its third chief executive]," says channels on time 40-year-old Mr Grabiner cheerfully.

jobs, and this must be the most exciting one I have done. I think it is going to go well but if it does not, the shareholders have the right to say to me that it's not working," he says.

Mr Grabiner was recruited earlier this year from running the newspaper division of United News & Media. He joined a company that offers the world's first digital service via rooftop aerials

n the face of it, Stephen rather than dishes or cable. In one sense at least, he has already done better than was expected: few analysts could launch on time given the technical hurdles. However, this Sunday it will confound the critics by doing

just that. This could prove easier

On Digital is set "I think this must be the to confound the launching 30 this weekend

> service of 30 channels including new free digital channels such as BBC Choice and ITV2 - against the might of BSkyB's 200channel alternative. BSkyB is the satellite network in which Rupert Murdoch's media conglomerate is the

biggest shareholder.

company shareholders. Yet there some grounds for hope - notably the expe-BSkyB has locked some of ellite in France. This service unconverted 70 per cent.

the battle as being a straight fight against BSkyB for the 4.6m UK bouseholds that already have pay television. rience of Television Par Sat- Instead, he is aiming at the

in middle England who say they would like a bit more choice, but don't want to pay pointing out that Sky anal-

'A La Carte' Premium

ital's best attraction in the short term has little to do with Carlton Communica tions or Granada Group, its shareholders. It will allow people without a dish or

spend £199 (\$330) on a digital

et-top box by the year-end. Curiously enough, On Dig

cable to watch live Premier League soccer. BSkyB was originally a shareholder in the group before the Independent Television Commission insisted it sold its stake. But it still

has to supply On Digital with its Sky One basic chan nel, and film and sports premium channels. In the longer term, Mr Grabiner concedes that it may have to strengthen its basic channel line-up. "We

are building a business for the long-term, and we recognise we'll have to provide more over time," he says. Some of this expansion is

already planned, since On Digital will gain MTV next June and Nickelodeon and the Paramount Comedy Channel by the end of 1999. It is also negotiating for payper-view films.

But for the moment, Mr Grabiner must rely on the response of an untapped market to an untested product: "I'm sure that some things will go wrong, but a

CONTRACTS & TENDERS



CALL FOR EXPRESSION OF INTEREST FOR ATHENS INTERNATIONAL AIRPORT MAIN TERMINAL HOTEL

Contracting Entity: Athens international Airport S.A. (hereinatter called "AIA") 5th km Sosta-Louise Ave.

Nature of the Contract, CPC reference number (service): Negotiated Procedure; Services

Place of delivery, site or place of performance of service: Construction-site of Athens International Airport, 5th km Spata-Louisa Ave., Spata 190 04, Greece.

Contract involved: in accordance with Article 13 of Law 2338/1995, AIA intends to grant Airport Rights in relation to the operation of a hotel at the new Athens International Airport "Betherios Venizelos" in Spata-Attika over a Contract Period to companies or groups of companies that will undertake the financing, design, construction and operation of the complete

facility.

The Main Terminal Hotel will be located in a plot directly opposite to the Main Terminal Building, with direct passenger access from the Main Terminal.

A preliminary report commissioned by AIA has recommended

that the hotel should have the following character Facilities of at least the international four-star hotel category

Approximately 350 rooms, with expansion provision

Two restaurants with a total of 300 seats

 Conference facilities for up to 600 persons and 15-20 additional conference and seminar rooms

· Health club and pool area

(a), (b) and (c) inapplicable (d) Division into lote: Applicants will be required to tender for whole of the services.

Derogation from Article 18(6): No.

Time limits for delivery or completion or duration of service contract: The intention of the Airport Company is to have the Main Terminal Airport Hotel operational on the airport opening date (1st March 2001). The Contract Period is intended to be at 13. least 25 years, with eventual extension to 50 years.

\$(a) Deadline for receipt of requests to participate: 9 December 1998 by 17:00 local time. Further indicative dates: Dispatch of ions to tender by AIA by the end of January 1999.

8(b) Address: Four (4) of the qualification statements and documents in sealed envelopes, carrying the indication Expression of interest for the Athens International Airport Main Terminal Hotel concession", to be sent to: Athens international Airport S.A.

Procurement Department Attn.: Dr. D. Gerogiannis 5th icm Spata-Louisa Ave. Spata 190 04, Greece Tel.: 0030 1 369 8534

Fax: 0030 1 389 8454 8(c) Language: English.

Deposits and guarantees: To be detailed in the tender

10. Financing and Payment: To be detailed in the tender

11. Legal form in case of group bidders: Joint and several fability.

12. Qualifications, Minimum Standards:
All expressions of interest must be made in writing in four (4) copies to the address stated above in 8b. and must provide the following information for pre-qualification appraisal:

12.1 Details of company profile and structure, including links with parent company and other group or consortium members, if

12.2 Certificate of enrollment on the professional or trade register under the conditions laid down by the laws of the State in which the applicant(s) is(are) established.

12.4 Audited accounts for each of the previous three (3) financial years, including the applicant's overall turnover and. separately if applicable, the turnover in respect of the services to which this contract relates.

12.5 Proof of experience in designing, financing, constructing and operating hotels of at least the intermittional four-star hotel million pessengers. For each international airport, or project of relevance, piease provide:

12.5.1 full details of the roles undertaken and the services provided by each company involved; completion schedule 12.5.2 list of airport company references including names 12.5.3 Rst of banks including reference to persons involved in

the financing of the relevant projects 12.5.4 the design team involved, the design concepts and illustrations of the finished buildings.

Description of the applicant's resources available to carry out a project of such scope and the approach and methodologies that will be adopted.

Names, professional qualifications and experience of the key staff that are likely to be responsible for the provision of the services and works.

Quality management system, including any certificates of ion issued by an accredited certification body, e.g. ISOS000#.

12.9 The applicant's environmental policy statement and details of any environmental accreditation.

12.10 Evidence to show the applicant operates a safe policy which meets EU statutory requirements in retailor to heelth and safety.

12.11 Certificates issued by the competent authority to the effect that

the applicant has fulfilled his obligations relating to the payment of social security contributions and the payment of taxes in accordance with the legal provisions of the country in which he is established, or declaration on oath or solemn declaration. Already selected suppliers, contractors or providers:

Previous publications in the OJEC: No.

AIA's overall goet concerning the Main Terminal Hotel is to provide a commercially attractive facility for the airport company, the airport passengers and the hotel operators, it is also intended that the hotel will be of distinctive architectural design.

Applicant companies or groups of companies will be assessed on the basis of equal opportunities in respect to being international hotel operators, experienced in the development and operation of hotels of at least the international four-star category. Having an experience in operating hotels at international airports with armual tradic of over 5 million passengers is considered an essential

Applicant companies or groups of companies should demonst a financial strength which corresponds to the business risks related to the development, construction and operation of such a hotel, as well as evidence of their linancial ability to successfully carry out the project. Furthermore, applicants are to demonstrate their ability to meet the set deadlines.

Applicant companies or groups of companies will also be evaluated based on their quality, safety and environmental policies. Applicants may be asked to supply additional information and to

Following the assessment process, the selected companies or groups of companies will be invited to submit bids in the tender process. AlA reserves the right to limit the number of companies or groups of comparies that will be invited to submit tenders to a number between 5 and 8.

AIA reserves the right not to proceed with the contract at any stage of the tender process. The contract will be subject to Greek Law. Publication data of the periodic information notice:

Notice postmarked: 02.11.98

Notice received on: 02.11.98

than what is to come. Mr the popular US television exceeded its own forecasts "Our core market is people Grabiner must now sell a brands such as MTV and on launch two years ago Nickelodeon into exclusive despite its apparent inferiorcontracts. On Digital is relyity to Canal Plus's digital ing on untested alternatives provided by Carlton Commu-Mr Grabiner argues that it is missing the point to view nications and Granada Group, its two UK television

too much, and don't want a dish on their roof," he says, ogue dish sales have slowed.

Since On Digital started advertising, it has received more than 130,000 inquiries from potential subscribers.

Some executives expect that lot more will go right." Gains for VW, Audi and Toyota UK registrations Oct 1998 Oct 97 Jan-Oct 1998 Jan-Oct 97

Total Market	155,263	-0.9	100	100	1,998,742	3.4	100	100
LIK Produced	45,900	-7.0	30.2	32.2	642,753	-12	32.2	33.6
imports	108,353	2.0	8.98		1,355,989		57.8	65.4
Jepanese makes	11,698	-0.8	7.5	7.5	157,627	11.3	7.9	73.
Ford group	25,775	-1.0	17.2	17.3	371,941	3.3	18.6	18.5
Ford	26,124	-0.3	16.8	16.7	381,451	28	18.1	18.2
Jeguer	651	-24.4	0.4	0.5	10,490	25.0	0.5	0.4
General Meters	23,802	3.5	15.3	14.7	248,241		12.4	13.6
Vacoched	23,792	3.5	15.3	14.7	248,030	-5.6	12.4	13.6
Stab	1,110	19.6	0.7	0.6	17,289	13.8	0.9	0.8
BMW grp	14,159	-27.3	9.1	124	235,617	-4.8	11.8	12.8
BMW	3,981	-3.3	2.6	2.8	58,764	0.7	2.9	3.0
Rover	10,178		8.6	9.8	176,853	-6.5	8.8	9.8
Pengett grp	15,378	-8.1	9.9	18.7	229,299	3.0	11.5	11.5
Paugeot.	10,914		7.0	8.2	159,166	6.7	8.0	7.7
Citroen	4,464	15.9	2.9	. 25	70,133	-4.7	3.5	3.8
Yolkswagen pro		21,0	11.0	E 0	181,257	7.9	9.1	8.7
Volkswagen	10,375		6.7	5.4	110,085	3.1	5.5	6.5
Andi	3,299	10.2	2.1	1.9	36,966	16.5	1.8	1.6
SEAT		-29,4	0.6	0.9	18,963	10.4	0.0	0.6
Skode		105.6	1.5	0.7	17,242	22.1	0.9	0.7
Remotit	13,569	-23	8.7	8.9	161,108	11.8	8.1	7.5
Flat greep	6,101	7.7	3.9	3.6	90,684	8.7	4.5	4.3
Flat	5,256	1.6	3.4	3.3	83,260	6.6	4.2	4.0
Alfa Romes	845	71.7	0.5	0.3	7,A24	39.5	0.4	0.3
Masau	6,059	-12.7	3.9	4.4	\$8,845	4.0	4	4.4
Toyota	5,354	4.3	3.4	3.3	71,314	11.5	3.5	3.3
Honda	4,552	-3.2	2.9	3.8	55,939	8.9	2.5	25
Mercedes Besz	5,084	36.6	3.3	2.4	45,249	20.1	2.3	1.9
Yelvo .	3,426	3.1	22	21	31,810	10.4	1.6	1.8
Mazda	2.129	-28	1.4	1,4	28,189	-1.8	1.4	1.5
			2.3	2.3				

The market for new cars suffered a slight year-on-year drop in registrations in October, only the third month this year that it has tered, John Griffiths writes. The Society of Motor Manufacturers and Traders seid October's 0.9 per cent downturn was the result of excaptionally high sales the previous year. "We are still on course for a 2.2m market in 1998," said Roger King, the SMMT's acting chief xecutive. This would be besten only by the 2.3m market of 1989,

NEWS DIGEST

FOOD EXPORTS TO JAPAN

Tokyo exhibition aims to change view of UK meals

"But Britain is Delicious", an exhibition organised by the Tokyo branch of the Food from Britain agency, Juns to change the view that British food is heavy and unpleasant Food From Britain, supported by the UK government's

agriculture and trade departments, is optimistic. The UK exported £290m (\$480m) in foodstuffs to Japan last year, up 5 per cent from the previous year. Food From Britain has helped introduce more than 600 products to

Japan over the past two years.
"Japan is the largest tood and drink importer in the world, and is an important market for UK foods," said Lord Donoughue, UK minister for farming and tood. "Our performance last year] was excellent, set against current Jap-

anese consumption patterns." The exhibition was dominated by Scotch whisky, beer. tea, jam and biscuits - products already familiar in Japan. Beer was prominent, as British producers looked to break into a market dominated by local brewers. Less obvious candidates such as chocolate, cereal and ready-made foods were also there as UK companies searched for Japanese partners, Naoko Nakamae, Tokyo

TAX COLLECTION

Employers' \$500m 'benefits'

Big employers make up to £300m (\$500m) a year by acting as tax collectors for the government while small businesses face ever greater costs, according to a report pub-

lished yesterday by the inland Revenue. The independent report, which looks at the costs to employers of running PAYE (Pay As You Earn) and National Insurance schemes, finds that the benefits to big business are increasing as the burdens on smaller busi-

nesses become greater. The report is likely to accelerate the introduction of measures designed to cut costs for small businesses - especially entreprenuers. It will also focus attention on the increasing cash flow benefits accruing to big employers, who invest the money they collect from staff before pass-

ing it on to the tax authorities. "In this sense the largest employers actually benefit from " acting as unpaid tax collectors: the cash flow benefits of withholding tax exceed gross compliance costs." said Professor David Collard, the lead author of the longawaited report. Jim Kelly, London

MILLENNIUM BOMB

'High risk' claims denied

The Department of Trade and Industry, the Ministry of Defence, the Home Office and the Medicines Control Agency all face a "high risk" of disruption from the millennium bomb, the Taskforce 2000 consultancy said

lan Hugo, author of the Taskforce report, said the defence ministry faced a "Herculean" task in meeting its related targets. The DTI said: "We dispute that we are high-risk. The DTI is dealing with its 2000 programme affectively." The Office for National Statistics was also singled out as high risk. The ONS said yesterday: "We reject completely the criticism."

Taskforce 2000 also said the government had senously underestimated the cost of fixing the millennium bomb. and faced the prospect of wide disruption to public services. Formerly a government agency, the group is now a consultancy advising on the bomb - the expected problems of computers reading dates from 2000 on. It said the government's £3bn estimate of fixing the problem in the public sector was too low, and should in fact be between £7bn (\$11.6bn) and £8bn. Christopher Price, London

MOTOR INDUSTRY

GM acquires van stake

General Motors has taken over full ownership of IBC Vehicles, a maker of vans and Frontera four-wheel-drive vehicles set up in partnership with Isuzu of Japan in 1987. The move helps prepare the way for GM's Vauxhall offshoot to mount its first significant attempt to become a big player in the panel van market - dominated by the ubiqui-tous Ford Transit - since selling off its Bedford truck and van operations in the mid-1980s. Panel vans are those not based on car designs.

IBC is scheduled to build a new range of panel vans. being developed under a joint venture with Renault, which should lead to 700 extra jobs being created at the IBC plant by the year 2002. However Renault has already put a larger version of the vans into production in France, and these are now going on sale in the UK badged as the Vauxhall Movano. Versions of both products, badged under the name of Vauxhali's German sister company, Opel, will be sold throughout Europe. Last year, Vauxhail began selling Vauxhall versions of Renault's Master and smaller Trafic vans, which allowed Vauxhall to put retailing

structures in place. GM would yesterday give no financial details of its IBC

IBC was created as a 60-40 joint venture between GM and Isuzu. But Isuzu's stake equity dropped to 17 per cent last year as a result of the Japanese company - in which GM has a 37.6 per cent stake - not participating in new investments at the plant. John Griffiths, London

CONTRACTS & TENDERS

Tender No: 77/31118/4738



Mobarakeh Steel Co. intends to purchase about 500 M/TON WATER TREATMENT MATERIAL

Interested bidders may obtain a set of bidding documents by the submission of a written application and payment of nonrefundable fee of USD 500 in favour of Mobarakeh Steel Co. through Bank Markazi Iran account no: 138

All bids must be delivered to below office before 31/12/98

MOBARAKEH STEEL CO. 15 KMS SOUTHWEST OF MOBARAKEH

P.O.BOX 167 ESFAHAN IRAN

TEL NO: 0098 3355 3424 OR 3422

RAW MATERIAL AND ENERGY PURCHASING DEPARTMENT FAX: 0098 31 327512+324324

MOBARAKEH STEEL COMPANY

---1000年9月1日 (1880年)

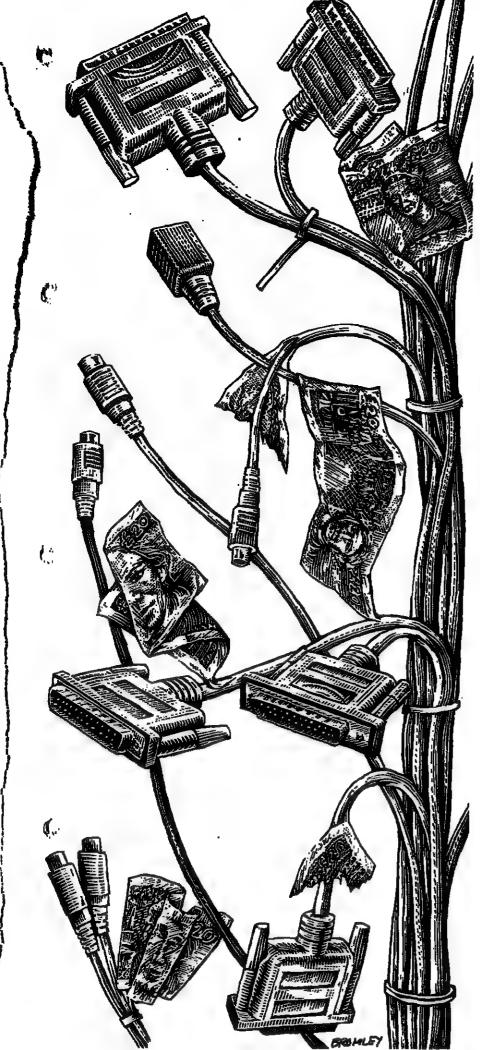
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Time for new trade-offs

Peter Martin concludes this series by examining some of the profound changes that will determine whether enterprises flourish or wither in the new digital era

most industries and areas of the first such "horizontal" railway, the arrival of fractional-horsepower electric the era of digital business. motors, the universal adoption of motor cars and mass consumer market - all these have had similarly per-

also easy to understate the sweeping technological changes, by assuming that they apply only to the companies most directly • Customisation versus affected. As the articles in this series have revealed, the real importance of "horizontal" technological change lies in the way it rewrites the trade-offs that underpin established business in all

These trade-offs - between scale and inflexibility. between service and price. between choice and stocking costs, and so on - are so embedded in the way business works that we scarcely think about them.

In any industry, established businesses gravitate trade-offs, adopted more or less unthinkingly by all par- But in many industries, the ticipants. Sometimes an innovative company manages to come up with a slightly different set of tradeoffs that works. A famous example is General Motors' introduction of model variations and frequent styling changes, to compete with Henry Ford's "any colour you like as long as it's

When this happens, either the industry shifts to a general adoption of the new approach - as happened in the GM/Ford case - or the innovator's discovery turns out to be relevant only to a niche market, and the mainstream approach survives for most customers. Either way, the established set of trade-offs survives, adjusted slightly at the margin. This is the very definition of

The importance of swe ing technological change is that it requires a renegotiation of many of those tradeoffs. Just as important, it is hard to tell in advance which trade-offs will survive and which will be completely replaced. A period of intense experimentation and uncertainty begins. Innova-

the importance of the the new pattern of trade-offs a global, standardised com- together payment services, coming of digital - whether they are new munications infrastructure, security of savings, the pro-- whether they are new business. Although it is pow- entrants or fast-moving the internet, and a powerful, established firms - are lavishly rewarded. Companies economic activity, it is not that guess wrong go out of business. For everyone, the change. The coming of the stakes rise immeasurably. make use of the mass cus-That is now happening in

us stand back from the trucks, the emergence of a early, currently visible efforts to profit from digital business, and attempt to chart the deeper trade-offs But, paradoxically, it is that will change in the new era. Some of these shifts are importance of all such already being exploited; oth-sweeping technological ers await their innovators. Here are three trade-offs that are changing:

> price. Giving individual customers exactly what they want is usually too expensive to contemplate. So customers have to choose between a product or service that is approximately right and relatively cheap, or one that is exactly right, but extremely expensive. The coming of digital business changes the trade-off significantly.

in some industries, what prevents the delivery of cheap customised products is ineluctable economies of scale, such as those which make individual computer chips so astonishingly cheap. real barrier is the cost of information; if you could economically capture the details of the customer's needs and transmit them to the shop floor, you could deliver a customised product. but still benefit from the fac- Bundled products versus tory's economy of scale. This is particularly true in service industries, or where delivery takes electronic

tion has been promised for at least a decade, but it took the arrival of digital busi- the provision of customer

universally accessible user interface, the web browser.

As yet, relatively few companies are attempting to tomisation potential of digital business, and these are To conclude this series, let mainly companies that had already ventured down this road before migrating to the internet. Online computer vendors, such as Dell and Gateway, were already providing semi-customised products. They are able to do more of this, more cheaply, over the web. And, in Dell's case, they are also able to

> Few services are 'pure'. Most are bundled together with something else

have their own dedicated web pages on Dell's site. Other tentative steps towards mass customisation are under way on the web: tailored clothes, customised CDs, personalised information services. Some will turn out to be successful; others will not offer customers enough benefits to overcome the inconvenience of making choices. But either way, the historic trade-off is chang-

focused ones. Few products and services are "pure". Most are bundled together with something else. Garages bundle together in one physical location the sale of new cars, the purchase of second-hand ones,

vision of account information, and so on. Newspapers bundle together news, opinion, classified advertising, entertainment, listings. The trade-offs that produce these bundlings are heavily influenced by information costs: the costs of establishing

what particular mix of benefits a customer needs, and then ensuring that it is delivered precisely. These bundlings involve powerful but implicit crosssubsidies. They survive because they deliver the best provide a customised service to corporate purchasers, who

mix of benefits at the lowest price. But one customer's cross subsidy is another's mis-pricing. Digital business allows new, focused entrants to expose those cross subsidies and mis-pricings. Electronic classified advertising boards eliminate the crosssubsidy to news (though they also have to survive without a cross-subsidy from display advertising). Electronic new car sales agencies, such as Microsoft's Carpoint, unbundle a garage's offerings, A flood of financial services products exploit and compete away the cross-subsidies inherent in retail

banking.

But remember: bundling exists because it solves problems, either for consumers or producers. Ultimately, the choice will not lie between bundled products and focused ones, but between an old pattern of bundling time, however, any company offering a bundled product or service - which means most companies - must reassess the way the combination works, and ask itself if a different configuration is now more appropriate.

• Vertical Integration versus "shere of customer". Growth-minded companies have come to an implicit on back copies contact Teresa ness to make it possible. The finance, the delivery of understanding of whether Sanderson 0171-873 4683.

their best opportunities lie in offering a wider range of products to the same customers, or seizing more of It is easy to overstate tors who guess right about secret lies in the creation of repairs. Banks bundle the value-added inherent in their existing range of products. Each has drawbacks. One of the principal difficulties in offering more to existing customers lies in getting wider, more complex product range. One of the principal advantages of vertical integration has been the elimination of the information costs of dealing with supply chains.

Digital business changes both of these. Dealing with customers directly, electronically, eases the complexity overload on sales channels. Dealing with suppliers directly lowers the costs of vertical dis-integration. Companies will need to revisit the trade-off between seeking a larger share of the value added they provide the customer and seeking a larger share of each customer's purchasing. Industry value chains will be

redrawn. in resolving this trade-off, much will depend on the company's brand. Is it one which can be effectively extended to cover a wider range of products? If not, the old trade-off may still apply. But in many companies, and in many industries, digital business has changed this trade-off profoundly.

The purpose of this series has been to illustrate the way in which such issues apply to all companies, not just those involved in online retailing or computers. Digiunprecedented change in the nature of economic activity. But, like other pervasive changes, it will affect every aspect of the business world. And those impacts are already being felt.

appeared on: 13, 15, 20, 22, 27.

An insider's guide to an online venture

Entrepreneur **Tim Jackson** finds that ideas are ten a penny. but that the hard part is making them happen

The PT's Digital them of lack of imagination, Business series has listing simple ways in which claimed as his current sallooked at many ways they could improve their serin which traditional compa- vices. Inside Quixell.com, as nies can use internet tech my company is called matnologies to improve their ters suddenly became clear. profitability. But these are Ideas are ten a penny; the dwarfed by a far more excit- hard bit is making them haping opportunity - to start a pun.

It was cariosity to know what this experience would be like that led me to start strategy had led me to an internet business in London last year. Having written a column about the from finding offices to hiring Finding others to -internet for the FT for the past two years, I had a privileged view of the opportunities - and decided that the and thorough. Someone once online auction industry, said of socialism that it which I had covered since its inception in May 1995, was Entrepreneurship takes the most exciting.

Auctions over the internet provide a new way for buyers and sellers to meet and find market-clearing prices the business began, but still for products and services. underestimated how much But they are also local, and cash it would need. By the provide an opportunity to beginning of 1998, Quixbuild a big business in ell.com had burned up more

That choice was probably correct. Today, two leading ture capitalists who had US auction companies. Onsale and eBay, are both public companies: the market values them at over \$3bn (£1.9bn). But I have learned a number of unexpected les- raise the first of three small year, I discovered we had dead. On balance, the first sons and have been given an insider's view of digital busi-

The first and most important lesson has been that execution matters more than ideas. In two years of interstartups, I had often accused

Running an internet business is less cerebral than my musings in the column on expect. Particularly in Europe, where everything people takes longer, mere analytical insights matter less than being persistent takes too many evenings. weekends too.

A second lesson was about

risk. I did some careful financial modelling before than £100,000 of my own money, and none of the venappeared so keen at its launch the previous September had actually written a cheque. It was not until the

make money until 2001. Finding others to share risk is a great deal harder in from my personal e-mail London than in Silicon Val- address, explaining that the public may be impressive, ley. To hire a smoothie marketing man of 28 last year, I take, and inviting customers the last penny.

be turned down several opportunities to become a partner in the business. Once the corner had been turned, he demanded oneeighth of the company - and walked out when he failed to get it taking at least one of the marketing deals with him. Today, the company

share risk is a great deal harder in London than in Silicon Valley

has six talented and loyal senior managers - each of whom earns less than in previous jobs, but has stock options in the company.

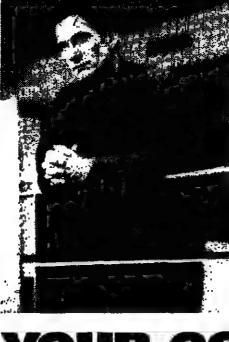
technology. Robust com- weeks. This week, I am in puter systems that do what California, raising another they are supposed to do are \$10m from investors to grow rare in the internet business. the business. The proof of this came on New Year's Day 1998: arriv- a conference a few months ing at the office at 8am to ago, I predicted that by midspring that we were able to make an early start on the 1999 I would be either rich or seed rounds in the US that unwittingly sent out 50 now looks more likely than brought in nearly \$3m - but copies of the same e-mail to the second - but I have the company is unlikely to our entire customer base. learned a new respect for

multiple mailing was a mis-

to call me at home if they wanted to express their annoyance. Thankfully, the incident lost us only 10 customers - but it was an early indicator of the regular need to rebuild our back-office to keep pace with the company's growth, I now understand why Jeff Bezos, chief executive of Amazon.com. holds monthly "scaling" meetings where his collengues identify which part of the company's systems will break next - and try to replace it in time.

But the greatest lesson of all has been about speed. People often talk of "internet years", in which things happen seven times faster than normal. But experiencing the pace of change has still been surprising. In the past three months, for instance, our company has moved offices, increased its head count from 9 to 23, rolled out a fully localised German service, tripled its product lines, and doubled its customer base. Last Friday we signed up more new custom-A third lesson concerned ers than in our first six

The pace takes its toll. At Anticipating a flood of pro- entrepreneurs. The rewards tests, I sent out a follow-up earned by those who start companies and take them



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HEALTH INTERFERON BETA DRUGS

Drugs that may keep multiple sclerosis at bay

Fresh research findings suggest the treatment should be prescribed for many more patients, says David Pilling

tral nervous system, have nerve fibres in the brain and not had watertight evidence that the drugs they take to intruder. As a result, myelin combat their illness actually do them any good.

That picture is likely to change following the publication in The Lancet last week of data showing that interferon beta drugs not only work but can be effective in more severe phases of a disease that affects an estimated I Im worldwide.

A separate study, printed in the same UK medical journal, suggests that It might be possible to treat the disease more aggressively with higher doses of existing ther-

interferons were first licensed for treating patients with relapsing-remitting MS. the early stage of the disease, in 1993 when Schering, a German pharmaceuticals company, won approval for Betaferon (also known as Betaseron). Schering was able to satisfy the US Food and Drug Administration technology company, won that its product, interferon FDA approval in 1996. Biobeta-1b, reduced the frequency of attacks and the onset of disability.

In the early stages of MS, patients have periodic cates human interferon. "episodes" during which they can suffer loss of vision, muscle spasms, diffi- the fray this year when it

- the sheath that protects spinal chord - as an becomes inflamed and can permanently scarred, inhibiting signalling ability.

Interferons, natural proteins that modulate the immune system, are thought

The beneficial effects have now been replicated in three or four large trials

from stracking myelin, although the way it works is poorly understood. Schering's drug was followed by a similar product, interferon beta-la (Avonex) for which Biogen, a Massachusetts-based biogen's product is considered by some to have fewer side effects than the earlier drug, because it more closely repli-

Ares-Serono, a Swiss pharmaceutical company, Joined won approval for its version

"Incorporated with limited liability in the state of Kansas, USA

For years, people are believed to arise because which like Avonex is pro-suffering from multi-ple sclerosis, a pro-mistakenly identifies myelin which like Avonex is pro-duced from Chinese hamster cells. All the interferons are injected, some directly into the muscle, often several times a week.

There is also a fourth drug licensed for MS. Developed by Teva of Israel, Copaxone is not an interferon but a protein-like molecule, known as a glatiramer acetate, that is thought to bind to

Until last week's results were released, however, many neurologists felt that the data supporting use of these products were not sufficiently compelling to justify the annual \$10,000 cost of treatment. Many preferred to concentrate their efforts on physical therapy, counselling and dietary regimens.

"I had been on record as expressing doubt as to whether this treatment [with interferons] had any effect," says Richard Hughes, professor of neurology at Guy's Hospital in London. "But the beneficial effects have now been replicated in three or four large trials...and I have started to prescribe." The most significant find-

ing is that patients with more severe MS, the so-called secondaryprogressive stage, can benefit from interferons even when they are not having an attack. A study of more than 700 patients across Europe

disability for nine to 12 months over a study period of up to three years. Specifically, the drug extended the time before patients needed

According to an editorial in The Lancet, written by Donald Goodkin of the MS centre at the University of California, San Francisco, results of the European trial are strong enough to suggest that "interferon beta-lb should immediately be made available for patients with secondary-progressive dis-

That is no small matter given that about half of all patients who develop relapsing-remitting MS in early adulthood go on to the more severe stage of the disease. Most are currently untreated. Schering hopes to gain approval for its drug for secondary-progressive MS early next year.
The second important find-

ing is characterised in The Lancet editorial as more contentious, but perhaps no less compelling. A trial of 560 patients sponsored by Ares-Serono provides some evidence that higher doses of interferons have better results in relapsingremitting patients than standard dosing.

All three competing companies believe the number of patients treated with interferons should increase as a result of the latest data which would provoke a flerce fight for dominance in found that use of the drug a growing and lucrative



INTERVIEW TJIA TON FIE. PHILIP VAN DEN BERG

times ving scary

Conditions have become tough for hedge funds but two new managers tell Jane Martinson they have no regrets

Philip van den Berg were the envy of many of their peers when they resigned their jobs just lished investment bank over a year ago to set up a could only dream of.

hedge fund. The pair had reached fairly senior positions in the City of London when they decided to start their own business. In doing so, they joined a wave of City profes-

Tjia Ton Fie and funds after watching the just done so will fold." early pioneers achieve returns their own fusty ers coping in the new cliinvestment house or estab-

> Spurred on by the confidence that accompanies a bull market, these people spent bonuses on companies with names such as Olympus, Allegro and Eureka. The amount invested in

European-based hedge funds grew from S6bn at the end of 1996 to \$10bn this summer. according to some estimates. Tass Management, the hedge-fund research group. estimates there were 94 managers in Europe in January 1996 and 151 this August. Anecdotal evidence suggests

these figures are conserva-

Then the industry turned upside down this summer. A global economic downturn and a \$3.5bn bail-out of one highly leveraged hedge fund have put an unwelcome spotlight on the industry. One fund manager who started her own business this summer admits that "hedge has become a five-letter word".

Banks are increasing demands for margin, or debt payments, and nervous clients are unlikely to continue to support an unproven mannew managers are not going to have a chance to start up

So, how are such managmate? Mr Tjia left his job as director of continental European research at Schroders Investment Management a year ago to set up Olympus Capital Management with Mr van den Berg. He admits that these are "scary times". At parties he has stopped talking about what he does.

Hedge-fund managers have become 'a bit like train robbers. Or maybe worse!

Hedge-fund managers, he

says, have become "a bit like train robbers. Or maybe even worse".

The Olympus recipe for survival is to stick to its original plan: to invest in European equities with both long and short strategies. The fund can invest up to 100 per cent more than the assets it owns through leverage, but has not yet done so. It has made a 80 per cent net return since December.

Such a strategy is - not fund that almost collapsed this summer having borrowed an estimated

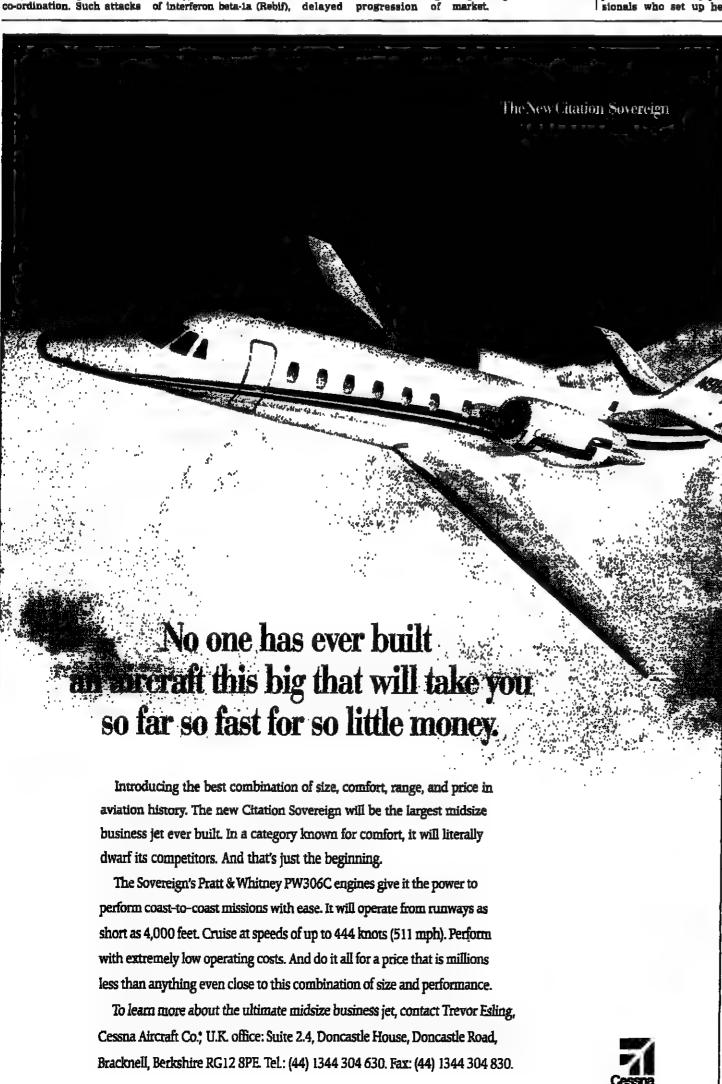
30 times its asset base. Mr van den Berg, a former European equity analyst at Deutsche Bank, says of his move: "I got more and more into the managerial role and more and more away from what I wanted to do, which was research and analyse companies."

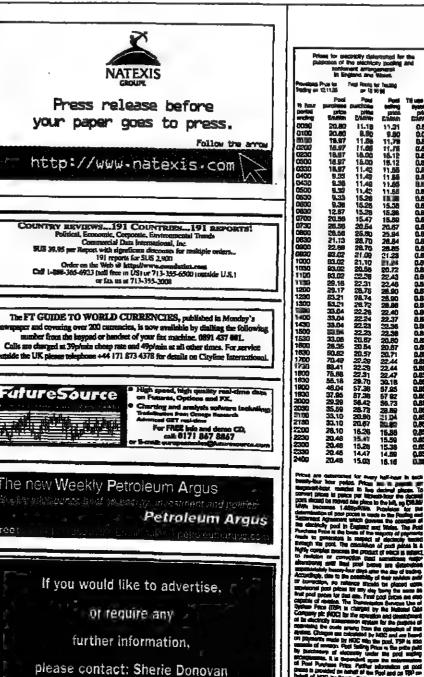
The joy of working from their Spartan office in the City is that they can act independently. "If you think of something, you can do it straight away," says Mr Tjia. "There are no committees to talk about what it all means and what's going to happen over the next year."

Both men put their own money into the business, although most of the \$250m they now manage is for other people. Olympus produced a clearly written fourpage summary of its investment performance and strategy in September. "We are managing other people's money," says Mr Tjia. Those people are entitled

going to do with it." Such openness is rare the sector and both men welcome the possibility of greater transparency for hedge funds. "If prime brokers are going to become even more vigilant about who they lend money to, then that's fine," says Mr Tjia. "If every bank had done that in the first place, it's unlikely we would be in this

bave?" says Mr Tjia.





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THE ARTS

CINEMA

A movie stoned out of its mind

Paranoia should be better structured, writes Nigel Andrews after being bowled over by one surreal brain-wave after another

For a film with so many ties, vomitings. Gilliam has amazing how quickly one wants to forget Terry Gilliam's Fear And Loathing In Las Vegas. Nightmares can be like that too. Ineradicable images you want to tell your friends about are mixed into an overall experience you would shudder to re-enact. Hunter S. Thompson's

book, befitting that mystery middle initial, was everything that began with "S": eminal, Sixties-going-oneventies and (p)sychedelic. The founding opus of gonzo journalism, it was an unbuttoned orginatic version of Tom Wolfe. The language, mad with hallucination. alliteration and onomato-

poeia, was a masterpiece of controlled dyslexia, suiting the story of a reporter stoned out of his skull in Sin City, Nevada. It would have been unbearable if it wasn't funny, which brings us to the movie. Gilliam explodes

previous definitions of the word "frenetic" while barely once making us laugh. He starts at Mach 2 and then tries to go faster. Johnny Depp's Thompson-based hero has comic promise, and akes corners cleverly. The walk is a bandy-legged zigzag a la Groucho Marx and the voice is a droll, abrasive purr. But even Depp is soon skidding helplessly through the narrative. And as he turns his professional mission to Vegas - to cover the Mint 400 motocross race into a weekend-long bender. his mindblown attorney and constant companion is played by Benicio Del Toro with no grace-notes at all.

The film roars on, hoping we are roaring too, through slapstick, drug sessions, par-

memorable moments, it is one surreal visual brainwave after another, like a man seeing everything through a famous-label surrealist flail about al vodka bottle. A botel recep- fresco, with nothing to beat tionist's head morphs into a monster's; a gambling hall's floral carpet turns into a leg-

> FEAR AND LOATHING IN LAS VEGAS Terry Gilliam

HENRY FOOL Hal Hartley

LEFT LUGGAGE Jeroen Krabbe

Steve Norrington

THE ODD COUPLE 1 **Howard Deutch**

entwining jungle; creatureheads multiply around the tables; and did we mention the bats?

The soundtrack freaks out simultaneously. Depp's voice performs near-ultrasound sibbers and squeaks under the influence of one new and deadly dope, and the "Ride of the Valkyries" blasts over a drive through the desert. I thought I heard someone enthuse as we emerged last May from the Cannes screening, "Man, it's so yesterday it's almost like tomorrow." best film since his first The It seemed to me more like cosmic standstill. The film teaches us what we did not

need to be re-taught: that a turned-director Jeroen Gilliam with carte blanche is a dangerous beast (Baron Munchausen) and that he is better caged inside a script where the paranoia is structured, tidy, even moralistic

Monkeys, much of Brazil). For nothing is drearier than watching a talented anarchohis fists against but thin air. Hal Hartley's Henry Fool, as

that prolix title might suggest from the man who gave us Trust, Amateur and Flirt. is almost epic by his standards. Over two-and-a-half hours the film turns a Pingallon fable: the tale of an enigmatic stranger taking over the life and family (promiscuous sister, ailing mother) of a young dustman. Henry Fool (Thomas Jay Rvan) is a writer monqué, so he urges Simon Grim (James Urbaniak) to swap garhage for great words. Meanwhile Henry himself seduces everyone in sight. That is just Act One. We

then move into a droll riot of role reversals, with Hartley . playing every thinkable var ant on themes such as pupil becomes master, seducer becomes victim, angel becomes animal - find an excuse to send Aunt Edna into the lobby during the bowel-movement scene and style-wise Pinter Krabbe as dad splutters, becomes Borges. For the movie ends by turning into a metaphysical maze, alternately funny and winningly weird. Indeed it won the Best Screenplay award at Cannes, as befits Hartley's

Imbelievable Truth. In Left Luggage, actor-Krabbe makes a touching chamber movie from the tale of two post-Holocaust families in 1970s Antwerp. The philosophy-student daughter of one (Laura Fraser)



the other, but her modernstrict Hassidic parents. "To be a philosopher you need to wear trousers?" quavers isabella Rossellini, while seethes or waves the Talmud. Happily, or sadly, a domestic tragedy works to bring the two worldviews closer together.

The underlying theme is "How does your pride and that of your race survive Hitler?" Fraser's own father (Maximilian Schell) finds another way: he searches for the eponymous suitcase of loot he hid during the war. straight into the veins, never "It's his lost self he's digging for," his wife Marianne Saa- filmgoers over 40 and / or gebrecht doesn't need to over here may wince at this explain to us. The film, plotless succession of fights,

Friedman, is sombre and absorbing, but Krabbe might have done more to resolve the Euro-clashing accents. and to take the schoolroom over-emphasis out of this well-meaning plea for love and reconciliation.

This is gonna burt – a lot," says medic Kris Kristofferson as he injects a vampire-bitten girl with "essence of garlic." She and we apprecomic-strip-based bloodsucking romp, has performed briskly in the US where young audiences like to inject adrenalising drivel mind the pain. By contrast,

background would help us understand why hero Wesley Snipes, caped and clothed in black leather, bas made a vocation out of smouldering impassively from one showdown to the next? And wouldn't an occasional pause in the day's preoccupation - vampire-blasting bave let us recharge our interest and appetite? allows primly ulcerous Leminstead Steve Norrington directs like a man possessed. though not by talent, and

more fights, special-effects

Surely a little character

burnings and eviscerations.

A film such as Blade makes a film such as The Odd Couple II seem like the works of Proust. I entered liners. The film is also a

Kristofferson and Stephen

Dorff vamp bravely in sup-

porting roles.

the cinema quailing at the prospect of another Lemany actor before Matthau mon-Matthau vehicle. Neil Simon's Felix and Oscar, 30 the hair in his ears? years on, might be indistinguishable from this duo's late-unlamented "grumpy

Instead the film is harmless, charming and even funny. It dwells, unlike Blade, in that lost city for moviegoers called Real Human Life. Simon's script mon and shambleshanks Matthau to break down en route to the wedding of M's son with L's daughter, and thereby hangs the tale. They suffer accident, crop-dusting and serial arrest, but still find time to deliver slowburn takes and quality one-

The week's other titles, Insomnia and The Knowledge Of Healing, sound like a cure calling out to an affliction in a testing week.

from nightless Norway, with Stellan Skarsgard (Breaking The Waves) manoeuvring his sallow, compelling phiz through director Erick Skjoldbaerg's midnight-sun Reichle) is a hopelessly illcoordinated look at Tibetan medicine, which makes the country's exiled outposts seem a quack's paradise rather than the homeopathic heaven

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OBITUARY SVETLANA BERIOSOVA

ballerina born to dance

The death occurred in London on bly assured and yet freshly which she was ideally seen as Svetlana Beriosova fill my mind. realised when she joined the Sad-They tell of a ballering of sevene physical beauty and of no less lovely temperament. On stage she seemed to have a pearl-like radiance, softly effulgent, the dance offered to us with a generosity and a grace that were the essence of her character.

We first saw her as a prodigatly gifted young girl whose dancing had an innocent loveliness. She was born into the ballet - her father was the Lithuanian dancer and producer, Nicholas Beriozoff - and ber first stops were taken in America where her father was daucing with the Hallets Russes de Monte Carlo. She was briefly with the Marquis de Cuevas Ballet in 1947, but her qualities were London in 1948, when she was 16, and appeared as a dancer of ravishing and still child-like lyricism in Fanciulla delle rose. a ballet made for her by Frank Staff. She was already memora-

Paper

tial. This potential was to be and also his Persephone (in ler's Wells Theatre Ballet in 1950, transferring thence to the Covent Garden troupe two years

Throughout the great years of the 1950s and early 1960s, Beriosova was seen in a wide range of roles - the traditional classics, of course, but also in many designed to exploit her expansive style and her innate aristoc racy. To all of these she brought a generous and illuminating sensibility: nothing looked either mean or uncertain. The dance with a mysterious melancholy (as with her Odette in Swan Lake), always polished in man-ner. Lest it be thought that she was a purveyor of spurious "Rusreally first recognised when she sian soul" - she was unrivalled joined the Metropolitan Ballet in as the Tsarevna in Firebira - let me add that she was one of the most enchanting and witty of

Swanildas. Her created roles ranged from the fine achievement of John Cranko's Prince of the Pagodas in

OPERA

Tuesday of the ballerina Svet- touching in all she danced - a Princess Belle Rose, to Ashton's lana Berlosova. She was 67 years nascent ballering of rare poten- Lady Elgar in Enigmo Variations which her lovely voice - deeper than one might expect - and her impeccable French were also used. I can never hear this Stravinsky score without hearing Beriosova's voice and seeing her simplicity and dignity as the young goddess). She was also the Tsarina in MacMillan's Anostosic and a wonderful Fairy in his lyric version of Le Baiser de la fee and, in her assumption of aiready created roles, flawless as the Bride in Les Noces and as the Hostess in Les Biches, and in so much else of the repertory.

She was in everything a ballerina whose understanding of her art and command of its nuances went to the very core of any role she assumed, imbuing it with a warm humanity or, sometimes, a moonlit radiance - she inhabited the world of Fokine's Sylphides with an intangible charm. She was adored by the public, and by her colleagues. Her partnership with Donald MacLeary was to win yet further international acclaim for the Royal Ballet.



Her life was tracically marked by ill-health, and ber marriage ended in divorce. She left the stage in 1975, but was highly regarded as a coach in those roles she had danced so grandly. Her last years were darkened by serious illness. But she leaves behind those priceless images o a ballerina blessed with an extraordinary ability to tell the great truths about theatrical dancing with a heart-stopping sensitivity and dignity. She was an artist unique, beautiful.

Clement Crisp

NEW YORK OPERA JONATHAN MILLER'S NEW 'FIGARO' AT THE MET

Superb cast and no gimmicks

This year's presentation of Le taining the power of his physical ing. a wider range of emotion. Her two arias are ethereally protan Opera is new in more than taining the power of his physical ing. a wider range of emotion. Her two arias are ethereally protant of the physical ing. a wider range of emotion. Her two arias are ethereally protant are implied by his sheer size. one sense. To be sure, the unsaalmost gimmick-free production by Jonathan Miller, with lightfilled sets by Peter Davison and apposite, attractive costumes by James Acheson. Subtly lit by Mark McCullough, the Almavivas' palace is an elegant collection of spacious rooms, high windows, convenient alcoves and courtyard. Even the lumberroom, newly assigned to Figaro and Susanna in the first scene, is high-ceilinged, freshly whitened and - if not, as Figaro boasts,

"the best room in the palace" – it ties, as a decorator would say.

is a place with a lot of possibili-Within this attractive framework, the principals move naturally, spontaneously; and they sing with brio and conviction. This Figure is new also because. in the title role, Bryn Terfel has clearly devoted time and thought to reassessing his interpretation. Having taken off a few extra pounds, he has also trimmed and

- he has refined his Figaro into tisfactory old staging has been an original creation. Wisely replaced by a bright, delicate, avoiding any attempt to follow in the suave, quicksilver tradition of Pinza and Siepi, Terfel is a burly, wily peasant, simple in his affections, intense in his contempt for overweening power. He is a force to be reckoned with. not least because of his all-embracing sense of humour.

> of his new Susanna, Cecilia Bartoli. Her earthy feeling for fun, coupled with a ready indignation and spirit of adventure (and her warm, human voice), make her an ideal mate for Figaro and a splendid match for the Count (a sardonic, truculent, and effective Dwayne Croft), in her banter with Cherubino, the delightfully adolescent Susanne Mentzer, Bartoli sometimes assumes an almost matronly aspect, which enhances the ambiguity of the situations.

In the midst of all this spirited intrigue, Renée Fleming appears like a superior being, the inhabit focused his acting. While main- ant of a world with deeper feel-

underscoring the sheer beauty of her sound. The smaller roles are seems a young Marcellina, but her spiteful wit suggests that she is a powerful adversary and Figaro is wise to fear her. Paul Plishka is a rather sober Bartolo, but also a full-bodied character.

Bartoli has been criticised for replacing Susanna's two chief arias ("Venite inginocchiatevi" and "Deh vieni, non tardar"; with two arias Mozart composed for a 1789 revival with Adriana Ferrarese del Bene, one of the creators of Cosi fan tutte. The earlier arias are probably superior, but it is interesting - and rewarding - to hear Bartoli per form the rather simple piece in rondo in the final act. Certainly, the conductor James Levine seems to like the Ferrarese pieces: he directed them, as he did the entire performance, with conviction and panache.

William Weaver

INTERNATIONAL

Arts Guide

ABERDEEN

His Majesty's Theatre Tel. 44-1224-641 122 The Magic Flute: by Mozart. Scottish Opera production by Martin Duncan, conducted by Richard Fames; Nov 13, 14

AMSTERDAM

Netherlands Opera, Het Muziekthoater Tel: 31-20-551 \$911 The Hake's Progress: by Stravinsky, Conducted by Runbert de Lecuw in a staging by Peter Sellars. Cast includes Detuid Maintyre, Thomas Randle and Willard White: Nov 12

BERLIN DANCE Doutsche Oper 7e: 49-30-34384-01 Conductia, new staging by Roberto de Oliveira. The title role is danced by Tamako Akiyama, and the conductor is Peter Ernst Lasten, Nov 13, 17

Tel: 49-30-34384-01 Götterdämmerung: by Wagner. Conducted by Christian Thielemann, with a cast including Gabriele Schnaut, Wolfgang Neumann and Esa Ruuttunen;

Stagtsoper unter den Linden www.staatsoper-berlin.org Christoph Kolumbus: by Milhaud. New staging by British film director Peter Greenaway. conducted by Philippe Jordan; Nov 15

CHICAGO

OPERA Lyric Opera of Chicago Tel: 1-312-332 2244 Ariadne auf Naxos: by R. Strauss. New production by John Cox, conducted by Robert Spano. Cast includes Deborah Volgt and Susan Graham; Nov 12, 15, 17

EDINBURGH

OPERA Edinburgh Festival Theatre Tel: 44-131-529 6000 Scottish Opera: Tristan und Isolde, by Wagner, in a production by Yannis Kokkos. Cast includes Jeffrey Lawton and Eva-Maria Bundschuh; Nov 17

HELSINKI

Finnish National Ballet Tel: 358-9-403 021 Giselie: staging by Sylvie Guillem. With sets and costumes by Ramón B. Ivars. Conducted by David Garfoth: Nov 12

LONDON CONCERT Berbican Hall Tel: 44-171-638 8891 London Symphony Orchestra: Michael Tilson Thomas conducts a series of works by Stravinsky;

DANCE Sadler's Wells Tel: 44-171-863 8000 Rambert Dance Company: Cruel Garden, by Lindsay Kemp and Christopher Bruce, Evocation of the life and work of Federico García Lorca, set to music by Carlos Miranda, performed by London Musici; Nov 12, 13, 14

OPERA English National Doors. London Collsoum Tel: 44-171-632 8300 Boris Godunov: by Mussorgsky. Conducted by Paul Daniel in a new staging by Francesca Zambello, with sets by Hildegard Bechtler. John Tomlinson sings the title role: Nov 14

LOS ANGELES **OPERA** L. A. Opera, Dorothy Chandle Tel: 1-213-972 8001

conducted by Gabriele Ferro in a staging by Stephen Lawless, with sets by Hayden Griffin; Nov 14

MANCHESTER CONCERT

Bridgewater Hall Tel: 44-161-907 9000 Alfred Brendel: recital by the planist of works by Schubert and Mozart; Nov 17

MUNICH CONCERTS

OPERA

Tel: 49-89-5481 8181 Munich Philharmonic Orchestra: conducted by Gerd Albrecht in works by Reimann and Schumann, with the Philharmonic Choir: Nov 12

 Munich Symphony: conducted by Havko Siemens in Verdi's Requiem Mass. With the Munich MottenChor and soloists including Olga Romanko;

Bayerischie Staatsoper Tel: 49-89-2185 1920 www.staatstheater.bayern.de Der Freischütz: by Weber. Conducted by Zubin Mehta in a new production by Thomas Langhoff, with designs by Jürgen Rose. Cast includes Petra-Maria Schnitzer and Peter Seiffert: Nov 12, 15

NEW YORK CONCERTS Avery Fisher Half, Lincoln

Tel: 1-212-875 5030 New York Philharmonic: conducted by Colin Davis in works by Berlioz, Martin and Mahler. With soprano Inger

OPERA Metropolitan Opera, Lincoln Center Tel: 1-212-362 6000 www.metopera.org Le Nozze di Figaro: by Mozart. New staging by Jonathan Miller, with designs by Peter Davison. The cast is headed by Felicity Lott, Cecilia Bartoli and Bryn

Terfel, and the conductor is

James Levine; Nov 14

Dam-Jensen and bass-baritone

Thomas Quasthoff; Nov 12, 13,

ROME EXHIBITION

Palazzo del Quirinale La Dama con l'Ermellino: Leonardo da Vinci's 1489 portrait of the young mistress of Duke Ludovico of Milan travels to Italy for the first time since 1800, when it was purchased by the Polish Prince Czartoryski; to Nov 14

SAN FRANCISCO

CONCERTS Davies Symphony Hall Tel: 1-415-864 6000 www.sfsymphony.org San Francisco Symphony Orchestra: conducted by Herbert Blomstedt in works by Mozart and Bruckner. With piano soloist

Peter Serkin: Nov 12, 13, 14

San Francisco Opera, War Memorial Opera House Tel: 1-415-864 3330 www.stopera.com Don Carlo: by Verdi. Conducted by Emmanuel Joel in a staging by Emilio Sagi, with designs by Zack Brown. Cast includes Anthony Michaels-Moore;

STOCKHOLM EXHIBITIONS Moderna Museet Tel: 46-8-5195 5200

www.modernamuseet.se In Visible Light: Photography and Classification in Art. Science and the Everyday. Traces the evolution of photography from its anthropological and scientific applications in the late 19th century to works by artists inlouding Andy Warhol and Cindy The Desiring Eye: 220 works spanning the history of

photography, from the 1840s to the present includes works by Hill-Adamson, Julia Margaret Cameron, Nadar, Alfred Stieglitz, Man Ray and Berenice Abbott; to

TOKYO EUHBITION Photography

Metropolitan Museum of Tel: 81-3-3280 0031 Love's Body: Rethinking Naked and Nude in Photography.

Stieglitz, Robert Mapplethorpe and Catherine Opie; from Nov 12

WASHINGTON OPERA Washington Opera, Kennedy

Center Tel: 1-202-295 2400 www.dc-opera.org Fedora: by Giordano. Conducted by Roberto Abbado in a production by Lamberto Puggelli, directed here by David Edwards. The cast is led by Mirella Freni and Placido Domingo; Nov 14,

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in

western Europe on medium wave 648 kHZ (463m) EUROPEAN CABLE AND

SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today

Business/Market Reports:

05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



SAMUEL BRITTAN **ECONOMIC VIEWPOINT**

A lop-sided debate

The McKinsey study of UK productivity corrects some fallacies, but still needs to be taken with a pinch of salt

At a time when the British government is shifting its attention to the much proclaimed UK "productivity gap", a study of the subject by the McKinsey Institute (Driving Productivity and Growth in the UK, McKinsey Global Institute, Washington DC) has been useful in knocking down some long-held fallacies. Nevertheless, it needs to be taken with a greater pinch of salt than it has been so far.

A report cannot be entirely bad if it is sceptical that Britain's difficulties are due to low investment or the low technical skills of the workforce. The report erts that "in most cases they are consequential or secondary effects rather than root causes

Even if (a big if) the UK could close its capital investment gap compared with the US without changing the level of capital productivity, only one-fifth of the productivity gap between the two countries would be reduced. Moreover. "comparison between the US and Germany suggests that operational best practice is far more important than vocational training in generating high productivity*

A minority of unfashionable economists has long proclaimed this message. Tibor Barna of Sussex spent many decades arguing that investment was a consequence of innovation and entrepreneurial imagination and could not usefully be force-fed. There is a chance that more notice will be taken of a high-profile management consultancy; and indeed some of the hints from Gordon Brown, the chancellor, and Peter Mandelson, the trade and industry secretary, suggest

that the message is beginning to come across. McKinsey's special contribution is to highlight such things as insufficient market competition and excessive or wrong-headed land use regulation, which are a long way from macroeconomics. The study highlights the effects of a more liberal planning approach to the dramatic development of London's Docklands, For these insights one can almost

forgive the cliche on page ne: "Productivity could be the engine of accelerated growth of the UK economy, with tangible benefits for everyone. But releasing the barriers to productivitydriven growth will take time and effort, and will also require the UK to revisit some of the critical trade-offs between social and economic objectives." Similar sentences must have existed

time of Sir Stafford Cripps, chancellor, 50 years ago. in any case many of the bloated "productivity gap" figures, so often quoted, are highly misleading. They result partly from ignoring the so-called non-market sector such as government services, health and education. They also arise from concentrating on labour productivity. measured by output per hour worked. In fact hours

in standing type since the

Productivity measures 1994-96 (UK=100)

worked per head of



population are some 30 per

cent higher in the UK than

although less than in the US.

France and Germany have

in France and about the

same as in Germany.

to some extent priced

low-skilled jobs out of

existence because the

policy initiatives will

UK advantage".

minimum cost of labour is

Yet "t<u>here is always a risk</u>

that domestic or European

undermine these sources of

If working hours were the

esult of an entirely free

choice between take-home

per hour might indeed be

Alas, the tightly regulated

continental European labour

markets leave little scope for

such choice: and the Jospin

government's reduction of

narrow the scope further. It

is no surprise that if you cut

working time, more will be

hours that are left - but not

compensate for the output

which destroy the more

the "market sector", it is

lags. British capital

There are other subtleties

facile league tables. Even in

only labour productivity that

productivity is estimated by

McKinsey to be higher than

that of France and Germany

and only 10 per cent below that of the US. If capital and

produced per hour in the

necessarily enough to

the working week will

pay and leisure, then output

too high to sustain them.'



labour are put together to provide an estimate of "total factor productivity" then the UK is seen to lag France by 13 per cent, Germany by 14 per cent and the US by 26 per cent - numbers that correspond more closely to on-the-spot impressions than the more lurid comparisons

so often trumpeted. A look at gross domestic product per capita gives a similar impression. If the UK is put at 100, France is 107. Germany is 116, and the US continues to lead with 143. After widening up to 1980, the UK gap stabilised or even slightly narrowed during the Thatcher and Major governments. A little generosity in acknowledging this fact would not lose Labour the next election.

What are the policy conclusions? The consultancy has done a useful job in showing that the British market is not nearly as competitive as some believe. Many of the obstacles are no longer to be found in old-fashioned tariffs or cartels but in practices which do not stem from areas normally seen as economic policy. For instance I had not realised that the number of pharmaceutical outlets is strictly regulated; nor that the milk quotas of the EU discriminated so sharply

When it comes to the other main finding, the restrictions on land use, doubts begin to set in. The report accepts that some restrictions on land use are justified to "protect the nation's countryside, bigh streets and beritage". Nor does one need any persuasion that the detailed operation of these controls is often faulty. Indeed McKinsey could have gone further in pointing out that the motive for nimby ("not in in my backyard") policies

is often not an attachment to

against the UK.

the higher things in life but a desire to maximise land

The report concludes that the balance between promoting productivity and land planning needs to be re-examined. We knew this before. One would have hoped that it would have at least begun such a reappraisal. Instead it simply carries on the bad tradition of concluding one report by calling for fresh studies.

Legitimate doubts go even further. If people have higher take-home pay but have to spend their time driving in eight-lane highways to dehumanised shopping or residential centres, then the losses might outweigh the gain

Such scepticism about productivity studies does not depend on a belief that one can or should try to measure happiness. Nor does it depend on a mystical values. It is simply based on the liberal economist's view that the object of policy should be to increase individual choices and opportunities. These have some relation to GDP, but only of a crude kind.

The whole productivity debate assumes that the government is what Michael Oakeshott, the late political nhilosopher, called an enterprise association" with objectives akin to those of a business corporation. By contrast he described the model of a "civil association" in which laws and government exist to help individuals, families and voluntary association achieve their aims.

A civil association leaves

more room for public policy than perhaps Oakeshott allowed. The objection to nimbyism or to milk quotas is not that they hold down national productivity, but that they are intrusive impositions by special interest groups to prevent the rest of us from achieving legitimate objectives. An attack on interest group restrictive practices would improve productivity as a by-product. But that would not be its main aim. Productivity is, like happiness and many other things in life, best achieved by not aiming at it too directly.

Samuel britton@ft.com

PERSONAL VIEW PAUL DE GRAUWE

Law unto itself

The European Central Bank is accountable to no one. This compromises its chance to be truly independent

the bank's statutes.

The stick

call the ECB to

order may turn

out to be a straw

ferent in the US, where the

chairman of the Federal

Reserve has to appear before

Congress every quarter,

knowing that the politicians

on the opposite side of the

table have the power to

ation in which US politicians

perceive themselves as

stakeholders in the Federal

Reserve. Sadly, this stake-

holder attitude will be

absent in Euroland. Win.

Duisenberg, the ECB presi-

dent, has aggravated this

state of affairs by announc-

ing that secrecy will be the

guiding principle of the ECB

In democracies, all power

is delegated power. People delegate power to politi-

cians. Politicians delegate

power to specialised institu-

tions. In order for this pyra-

mid to work well, at each

board's deliberations.

cessful independence of the European Central Bank? The answer is no, for the follow-

non-existent. The stick poll-First, the independence of ticians have been given to Euroland's central bank was call the ECB to order may imposed by Germany as a turn out to be only a straw. sine qua non for the start of It is sometimes said that economic and monetary there will be political control union. While central bank independence has strong over the ECB because the president of the ECB will political and social support have to appear before the in Germany, it lacks the European parliament to same kind of support in explain its policies. Howmost other Euroland counever, the impact of these regtries. -Thus, the willingness ular appearances is likely to to defend the ECB's indepenbe small because the Eurodence will be weaker in pean parliament is weak and these countries. lacks the power to change

Second, and more importantly, political independence of the ECB has been based on a very primitive political theory. According to this theory, the ECB consists of wise men, whereas politicians are wicked people who are eager to undermine the good policies of a central bank. It follows, therefore, that politicians should be kept as far away as possible

from the monetary action. The statutes of the ECB (which are a part of the Maastricht treaty) have been very much influenced by this antagonistic view of relations between a central bank and the political world. Not only is the ECB shielded from politicians, the statutes have also placed the ECB beyond the reach of democratic rules that sanction

bad behaviour. Let us look at a few examples of the ECB's lack of

accountability. The ultimate control which politicians have over a central bank lies in the fact that they can change its statutes: the terms of appointment for governors, for example. This is the case in Germany, where a simple majority in parliament can change Bundesbank law. But this possibility is totally absent in Euroland. The statutes of the ECB can only be changed by revising the Maastricht treaty, which

o the conditions requires unanimity of all mechanism which ensures exist for the suc-member countries. As this that those who receive power remain accountable. will be very difficult to These principles were not achieve, the power of the taken into account when the politicians to discipline the ECB was being set up. It was ECB (to which they have delgenerally thought that the egated their power) will be construction of a Chinese wall between the bank and political institutions would strengthen the ECB, But the opposite is the case. The political no man's land that surrounds the ECB will weaken it as an institution because few politicians will have an incentive to defend it. It is a paradox. The excessive independence of the ECB will be a source of weakness rather that

> strength. This is a shame because the case for a successful and independent ECB is strong. The situation is very dif-Economic theory and empirical evidence have taught us that a central bank's independence is necessary to guarantee that monetary politicians have to policies are conducive to price stability. But It is also true that independent central banks generally operate in countries where a strong consensus exists in favour of

> Thus, political independence can only exist when politicians, as stakeholders. believe it is in their interest to continue to defend that independence. And a crucial factor necessary to keep this equilibrium is accountable ity, intelligent central bankbreak the independence of the Fed. This leads to a situ- ers understand this. They are willing to explain their behaviour, they avoid secrecy and allow their decisions to come under scrutiny. Only then, can they ensure the political support that is necessary for their survival.

The design of the ECB is flawed and will have to be changed. Failure to do so will jeopardise the whole European project of economic and monetary

The author is professor of economics at the University of Leuven and a member of the stage there must be a strong Belgian parliament

Exit he decision to pull United Nations weapons inspectors and relief staff out of Baghdad shows that the current crisis in relations between Saddam Hussein and the west is more serious than many earlier episodes. Roula Khalaf explains why the current It is not merely another exercise in mutual brink-

strategy of containing the Iraqi leader. In recent confrontations, Mr Saddam expelled only American inspectors, or prevented investigators from visiting his presidential compounds. This time he has crippled Unscom, the UN inspectors commission, by refusing to allow any inspections at all. Moreover, he took that action on the day after the UN security council agreed to hold a comprehensive review of sanctions, a measure he had been seek-

manship. It is confronting

the US and its allies with the

need to rethink the whole

The uncompromising nature of Mr Saddam's actions has made this crisis easier for the US to handle in the very short term - but much harder in the long run. It has revived serious questions about the policy of conyears, based on a draconian embargo on oil exports and most imports, which would only be lifted once Unscom certified that Iraq was free of weapons of mass destruc-

The US has been comforted in the past week by its ability to put up a common public front to condemn Mr addam's move and lay the blame squarely on him. Officials know that there is no appetite in the Arab world. nor in Russia or China, for military action. But they the divisions on Iraq at the UN Security Council to surface too visibly. Russia and China have spoken out against military action, but have not rushed emissaries to Baghdad to try to make a deal with Mr Saddam.

Most damaging to Iraq has been the French position. In a marked departure from the arisen about the effectivelast crisis in February, ness of the inspections France is not even ruling out regime, especially as run by participation in a military Richard Butler, the controcampaign. "Firm messages versial Australian diplomat have to be taken seriously, and they could make Iraq understand that its policy is a failure. The International the wrong one," says a Euro- Atomic Energy Agency has pean official. "The room for virtually accepted that Irao diplomacy is very narrow, is free of nuclear capability. there is nothing left to cede Unscom is close to being

Baghdad crisis over Iraqi weapons inspections is worse than earlier episodes



part of the Gulf war alliance are having to face the questions about Iraq they have long tried to avoid, principally what happens the day after military strikes, and what are the options available to continue containing

Mr Saddam. The repeated crises provoked by Mr Saddam have, above all, suggested that the current policy of sanctions and inspections is no longer sustainable. The inspection regime has given him the power to provoke a crisis almost at will. And sanctions have not weakened his regime, in spite of their devastating effect on the Iraqi population. Support for sanctions has gradually eroded, especially in the Arab world. Even Saudi companies took part in the Baghdad fair this month, for the first time since the Gulf war.

In the Arab world, as elsewhere, questions have also who heads Unscom.

inspections have not been With the threat of military and can account for much, seek to contain Mr Saddam

action looming, however, the though not all, of Iraq's US and countries that were chemical weapons-making capability. The principal sticking point remains in the area of biological weapons, where Unscom lacks even a broad understanding of what Iraq had been up to before the Gulf war.

However. Unscom has been able to make only limited progress in the past year because it can only function with Iraqi co-operation. As trag became more determined to get sanctions lifted. Unscom has become an easy target around which crises could be repeatedly created. The agency has also become politicised: Iraqi accusations of spying by some inspectors are no longer considered unbelievable in many capi-

talk in Washington, London regime. They now believe Mr and Paris about launching heavy bombardments that more difficult for Washingwould weaken Mr Saddam, no one is seriously considering a ground operation that would bring an end to his rule. All that may be on the haps the instability pro-

сопр. able to close the missiles file Unscom entirely. It would

through sanctions, coupled with a continuous threat of force. Such a policy has the merit of removing from Mr Saddam's hands the chance of creating further crises over the inspections. As one UN official says, such a policy assumes that Unscom is doomed anyway, since Mr Saddam may well respond to as though the D-Mark was military action by shutting it down completely, expelling the inspectors, and turning off the sensors and cameras installed to monitor facilities that have already been inspected.

But in the longer term, such a strategy would also remove the only system capable of telling whether Iraq is rebuilding its weapons of mass destruction. Equally the lack of an inspection system would provide the US with the opportunity to argue that sanctions should stay until Mr Saddam goes. Russia, China and to a

esser extent France have long been arguing that the oil embargo should be lifted, while the system of monitor-ing of facilities should be maintained and strengthened, and a strong check kept on imports by Iraq. Such a policy would take away the card Mr Saddam uses to drum up support internally and raise sympathy in the Arab world, but it has the disadvantage of being too drastic a change for Washington policy makers to stomach.

Mr Saddam's decision to cripple Unscom was triggered by the US refusal explicitly to commit itself to lifting the oil embargo if Iraq complied with disarmament requirements ~ as stipulated by UN resolutions. But French officials argue that even without this, the US was slowly coming round to the idea that it would be difficult to continue justifying sanctions which punished Although there is much Iraq's people more than its Saddam's action has made it ton to contemplate such a shift in policy.

The unattractive options before the US in the event of a military adventure are table is the hope that per- making officials hope Iraq will back down. The probvoked by military action lem, however, is that the would lead to an internal Iraqi strongman believes his advantage lies precisely in Thus, in considering the the absence of a clear policy aftermath of the use of force, and the fact that eight years one group in the US adminis- after the Gulf war, the intertration appears to be arguing national community has yet for a policy that abandons to find and agree on an effective way of dealing with

LETTERS TO THE EDITOR

Euro as Doppelmark is a value worth bidding for

The euro as a Doppelmark is strengthened. D-Mark notes

Sir, Before the dark days of September 1992, it looked cruising gently towards the of DM2 = Rcul. This rate. if it could be maintained until the close of business on Thursday December 31 1998,

would become the D-Mark rate against the new euro. After the European exchange rate mechanism bust-up, that possibility seemed lost forever. However, in recent times, thanks in large part to the recovery of sterling within the Ecu basket, the DM/Ecu rate has risen again as high as 1.98. logically and practically the practical and psychologi-

once again within the frame of the possible. Just think for a moment change in shops would be

weeks' time at exactly DM2. The D-Mark is the bestknown and most widely used coins. of Europe's currencies. For millions of people it is an

accepted unit of value. vously surrendering their new euro's value. mark in favour of the euro. If the euro were fixed at exactly DM2, its links with the mark would be psycho-

equivalents in euros. Giving transition period before the issue of euro notes and

and coins would have exact the same.

The Germans in particular would present a readily are courageously but ner- absorbable marker as to the

For other nationalities either participating in the euro or on the outside, it Of course, it can be argued

that even at 1.96, the euro will be thought of and mentally converted at DM2. But

If the markets and central banks were to consider the

cal advantages would not be

how beneficial it would be to easier. German vending idea seriously, it should not blessedly convenient figure the success of the euro if the machines could give exact be difficult, in the thin forrate could be fixed in seven euro equivalence during the eign exchange markets between Christmas and New Year, to bid up sterling and the Ecu itself by about 2 per cent to achieve an external value of the Ecu at close of business on December 31 of exactly DM2.

Come on central bankers, give it a go!

Cobbold. Knebworth House, Enebworth. Herts SG3 6PY, UK

Acting responsibly in low-inflation world

From Mr Ciaran O'Hagan. Sir, There is no evidence of deflation, so the European Central Bank has no reason to cut rates for now. So suggests your Frankfurt correspondent, Wolfgang Munchau ("Euro-zone interest rates seen as low enough",

I read this on the very day that French and German CPI come out at 0.4 per cent and 0.7 per cent annualised respectively. Only seven months ago, the Hoffman report published by the Bundesbank suggested significant over-estimation of inflation, so the price level may well be falling today.

is as clear as daylight that ECB. There is no onus on it Europe is well under the 2 per cent inflation ceiling set for the ECB. Even in an economy with very strong growth, such as Spain, inflacrying wolf over inflation is no longer credible. What are central banks supposed to do then? Leave

inflation set to stay vary low in 1999. However, if the ECB tion is set to stay under 2 must react as responsibly in per cent in 1999. Admit it, a low inflation world as in a

Deflation or no deflation, it the subsidiary goals of the

rates high to ward off an inflationary hiccup? Favour lenders with high real returns? Or pay attention to their public service role and help growth by cutting rates CIC, in January? Unfortunately. Maastricht never addressed

is to merit respect and preserve its independence, it high inflation world. Crying wolf when the wolf is nowhere near would invite derision, and would ultimately lead to a weakening of the independence of the EÇB.

to cut rates now even with

Ciaran O'Hagan,

A commonsense diagnosis of Japan's ills

From Mr Noriaki Kînoshita Sir, Eisuke Sakakibara's dismissal (Letters, October 30) of Paul Krugman's diagnosis (October 27) of Japan's economic slump as showing some great vacuum of academic economists' thinking seems to me unduly aggressive. It is a matter of common sense, not of the universal validity of orthodox economic analysis, that the ysis. current banking crisis is mainly a result of mismanagement of leading Japanese

banks and of failure in

supervision, and that much

more is necessary than sim- badly needed. But we can in their balance sheets.

In fact, the prediction and policy prescription by professional economists are based not on universal truth. which Mr Sakakibara believes they are claiming, but on conditional statements derived from plausible assumption and logical anal-

True, confidence among both Japanese and international communities in the Japanese people's ability to Chiyodaku, Tokyo, handle the crisis is what is

ply injecting public money only achieve it when the economic and social system is redesigned so that those who are honest and diligent are rewarded with decent living conditions and are protected from the punishment from pure misfortune.

> Noriaki Kinoshita. Mitsubishi Research Institute. economic research department, 2-3-6 Otemachi.

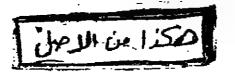
Dispense with the vaudeville

From Mr Francesco Ceccato. Sir, Although I enjoyed your article on Antonio Fazio and the current dilemma of Italian economic policy ("Hawk among the doves", November 10), your comment fails to note that Massimo D'Alema's concertuzione proposals requiring employers to reduce profit margins are insane in a country where the corporate tax rate is a hefty 53 per cent. How on earth is an Italian entrepreneur to earn decent return on capital? How is Italy to attract equity investment and reduce "crowding out" by the public Engtor?

The true cause of this absurd state of affairs is, of course, the political system. It is simply not admissible to have farcical, vaudeville governments with average lives of less than a year; no wonder politicians end up acting in a populist fashion and not grasping the nettle of pensions reform. Before therecan be any serious talk of "structural adjustments", what Italy really needs is a first-past-the-post voting law to empower a true majority and dispense with feeble coalitions once and for all.

Francesco Ceccato, 706 Bryer Court, London EC2Y SDE, UK

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday November 12 1998

Aid for Nissan

Nissan Motor, the troubled world's second-largest economy. deflationary climate, suffering from falling vehicle demand and debilitating overcapacity. In the US its competitive position ounting resulted in heavy losses

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A CALL STORY

Section 2 (1994)

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بالمستونية

Exports no longer provide an easy escape from problems at home, partly because of the problems of Asia, but also because Nissan, unlike Toyota and Honda, has failed adequately to enhance its product line. As a result the world's fifth largest car company racked up accumulated group losses over the past six financial years of Y334bn (\$2.8bn). It is expected to lose money again this year. The bal-ance sheet, meantime, is weighed down by net debt Y3,444bn, or 269 per cent of the equity capital.

Yet despite this litany of woe. Nissan has retrenched only marginally. Between 1993 and 1998 the workforce was cut from 144,000 to just 137,000. Those same workers continued to churn ut vehicles despite the saturated company continued to invest to the extent that its finances permitted. In short, Nissan, like so

So, too, with the Puyo keiretsu Japanese carmaker, reflects in industrial grouping of which Nismicrocosm all the ills of the san forms a part. Its lead banks recently contributed to a Y500bn At home it is a victim of the credit for the troubled vehicle maker. Yet they are too weak to perform a protracted rescue role. The Japanese system of crossshareholdings also means that weak. Excessive dis-resulted in heavy losses prices has inflicted further losses on other keiretsu members. So Nissan is considering asking the government's Japan Development Bank for a Y100bn loan to help its stretched affiliates.

The sensible outcome would be for the government to refuse assistance and promote a rapid consolidation in the industry. This will not happen because the social consequences, in a country with such a modest welfare safety net, would be dire. Just as important, the resulting unemployment would exacerbate Japan's crisis of collapsing confidence and deficient demand.

Yet a rescue would exacerbate overcapacity both in Japan and across the world, replicating in the car industry what has already happened in banking. How long and how far into loss must Japanese industry be state of the market, while the driven before the country confronts its structural problems? The readiness of the US and Europe to refrain from a protecmuch of the wider Japanese sys- tionist response will clearly be tem, has no conception of how to tested to the limit. This is a adjust to low economic growth. depressing prospect indeed.

Rosy view

The Bank of England has done for the gloom evident in confi-Gordon Brown proud. This is dence surveys and press comnot because it has repeated the mentary is that people have forchancellor's forecasts. Both its gotten (or are too young to mandate and approach precipite remember) what a normal cycle that. But, as Morvyn King, the is like. Since 1948, the UK has Bank's deputy governor for suffered just three prolonged monetary policy, said yester- periods of negative 12-month ay, the two forecasts are at growth: in 1974-75, 1980-81 and "broadly in the same territory". Indeed they are - and from inflationary overheating.

been its emphasis on forecasting uncertainty. The "fan low inflation. charts" it uses are annoyingly imprecise to those accustomed this uncertainty, what matters with determination to events. as the Bank has done with the two cuts in interest rates since the last inflation report.

has to, the Bank believes the most likely outcome for inflation two years hence is to hit the target, at current interest likely low point for 12-month economic growth is, says the there is also a one in four chance of a recession.

like this happen?

The answer to the first ques- well. The government must tion is yes. One of the reasons ensure it continues to do so.

again in 1990-92. All resulted Between 1958 and 1974, there Much the Bank's most impor- was not one quarter of negative should happen with stable and The answer to the second

question is again yes, but only to fraudulent accuracy. But it is up to a point. Because inflation this very lack of precision that is low and likely to remain so, makes them truthful. Given the Bank is able to lower rates sharply, should it be necessary most is responding swiftly and to do so. Such action could come too late to halt recession. But there is no reason to expect the monetary policy committee's reaction to any threatened Those cuts were a reaction to undershoot of the inflation tarnews since last August. As it get to be weak. If that risk were to materialise, it could readily promote a still stronger recov-

ery, by cutting rates. The most important question rates. To achieve this, the most then is not what happens over the next year, particularly since it is probably too late to alter Bank, around I per cent. But the outcome. The fundamental issue is, instead, how high unemployment needs to remain Is this story plausible? And to stabilise inflation. The best can the Bank make something reason for optimism is that the labour market is working quite

Death of a salaryman?

Performance of manufacturing sectors in 1998

-52

-7.8

42

-10.6

-5.4

-6.9

-9.1

-14

-44

-8.7

1.9

Alexandra Harney and Paul Abrahams ask if Japan's corporate crisis will break the taboo on redundancies

Tankan business confidence

-25.8

49.6

-52.0

-221

-55.4

-40.1

-35.1

-4.5

23

28.5

The pain inflicted by Japan's longest postwar recession is no longer confined to the financial system. It has spread to the heart of Japan's industrial complex, afflicting the country's once vaunted manufacturers. In the past few weeks, company after company has announced swingeing first-half profits warnings or deeply disappointing results. Some of the country's bestknown and biggest groups -NEC. Toshiba, Hitachi - have sunk into loss for the first time in 50 years. All the big five steel companies, except Nippon Steel, are in the red. Nissan, the country's second-largest automotive group, is on course to post its sixth net loss in seven years; the Japan Development Bank (a quasi-government institution) is proposing to lend it up to Y100hn (£492m) to ease its problems.

The question is whether the anguish will continue, and if it does, how long Japan's largest companies can endure without radical restructuring or large could threaten the fabric of Japan. It could rend the social contract between corporate Japan and its employees, ending lifetime employment, a process that could have a devastating effect on consumer confidence and the economy.

The scale of the economic crisis enveloping Japan's big companies is immense. The domestic economy has already contracted expected to shrink yet another quarter, making the downturn the longest since the postwar secovery. The private sector (more than 60 per cent of the economy) continues to collapse. Only exports are expanding, but they are threatened by the yen's recent strength.

Such a gloomy macro-economic

environment would be tough on Japanese companies at any point. But they are also having to weather a battering from numerous other sources. The collapse in the stock market has been highly damaging for profits and balance sheets. Many companies have cross-shareholdings in banks and other industrial companies and have suffered huge securities losses on them. Nissan for example suffered a Y76bn loss on its equities portfolio in the first holf.

Worse, from 2000, almost all Japan's companies must confront the massive underfunding of have to be about 5.5 per cent. In industrial investment. companies in the main section of the Tokyo Stock Exchange could conservatively be Y57,000bn and pessimistically could reach Y80,000bn. Such a shortfall would have to be financed from profits. But there are not enough. Dresdner Kleinwort Benson forecasts that this year's combined net profits at all non-financial companies in the main section of the Tokyo market will be just

The final blow for Japan's manufacturers has been the end of their biggest source of global competitive advantage - the low cost of capital. Despite unprecedentedly low interest rates, sources of capital are drying up. For most companies, raising equity is out of the question The bond market is increasingly demanding exorbitant premiums for all but the most stable

groups. As for the banks, they home workers for extended sulting Group in Japan. "Cuts in are facing their own crisis, and are increasingly unwilling to Japan's biggest banks actually their pension schemes. These fell year-on-year by 3 per cent. have consistently failed to gener- The result is a liquidity squeeze ate the return necessary to meet that is laying bare the poor ecotheir obligations. This would nomic return of much Japanese

Steel

Electric machiner

Goldman Sachs estimates that small and medium-sized organiunderfunding of pensions at all sations hardest – the very businesses that in other countries have generated all the employ ment growth during the 1990s. In contrast, although bankruptcles may be at record levels. so far the biggest Japanese companies have been able to avoid insolvency and mass redundancies.

But the big companies may not be able to avoid confronting their predicament much longer. The profits warnings during the past month have been relentless. Salomon Smith Barney, which in June was predicting an overall 11 per cent growth in pre-tax profits this year, now expects a 🕮 per cent decline.

Until recently there have been few signs that Japanese groups have been willing to respond to the crisis through restructuring. True, Nissan sold its Tokyo bead- ers." quarters. A number of companies

"study holidays" on reduced pay. parent company numbers may be Some have even been willing to lay off staff - overseas. Fujitsu pushing people into subsidiaries. closed its semiconductor plant in halting graduate recruitment, the UK: Missubishi Motors is cut- and providing early retirement ting employees in Thailand and North America.

But domestically, Japanese had seven years of inaction." groups have responded to the unprecedented downturn with redundancies, a few bave been much larger assets are needed. and the credit squeeze has hit traditional remedies for trimming

'Japanese companies put their employees first, and shareholders last'

salary costs. "The Japanese labour market is flexible and inflexible." says Taizo Nishimuro, chief executive of Toshiba. the electronics group. "Flexible because you can cut bonuses and overrime, and reduce the number. of temporary employees, inflexible, because there's traditionally been nothing you can do with male, unionised full-time work-

"There has been no real domeshave cut managers' salaries. tic restructuring," agrees Koichi has announced plans to leave the Some truck companies have sent Hori, president of Boston Con-memory chip business, despite

OBSERVER

is in part a reflection of Japanese law and corporate culture. Companies are extremely reluctant to fire workers partly because severance pay is unusually high. Although unions are still relatively weak, relations between management and employees organisations are close, ANA, the

employees.

second-largest airline with some of the highest pilot salaries in the world, has been in negotiations with its pilots union for years over a proposed salary cut. In addition, government intervention provides a substantial barrier to redundancies. The ministry of labour is paying some manufacturing companies a por-tion of their wage bill - most

huge losses. And even if change

had been greater, the extent to which portfolio reshuffling will

artually reduce costs is modest

compared with the problems and possible savings - in other

In particular. Japanese compa-

nies continue to be unwilling to

address one of their biggest costs,

namely salaried staff. Indeed.

they will do almost anything to

protect unionised full-time

The mability of Japanese man-

agement to confront over-staffing

areas of corporate life.

re-cently to the truck makers - to prevent a big drop in incomes. Japan's shareholder culture also plays a role. "Japanese companies have existed first for their employees, then the pensioners, third for business partners - supphers and dealers, fourth for the main bank and fifth for the

shareholders. That explains their reluctance to cut staff," says Mr Hori at Boston Consulting Jeffrey Young, economist at Salomon Smith Barney in Tokyo, explains: "What happens in the

US and Europe is that when a firm loses money, the management is voted out by their shareholders. The incentive is very strong to rationalise the use of funds. But in Japan's case, if a company is not doing well, they just go to the bank and the government...they hope a combination of macroeconomic stimulus and new funding will restore profitability." That is how it used to be. But

with most private forecasters predicting continued negative growth next year. Japanese manufacturers' profits are unlikely to be boosted by economic growth anytime soon. So, faced with falling sales, collapsing profits and suffocating debts, Japanese managers may finally be forced to packages. We've had seven years make some hard choices about since the crash in 1991, and we've sacking workers.

The problem is that while such Although no companies have moves might be good for Japan's been willing to make forced companies they could prove de aging for the Japanese economy willing to take the step - radical Japan's unemployment benefit for a Japanese company - of dis- system is poorly developed, makposing of lossmaking husinesses, ing it extremely difficult to sur-They have been willing to vive on the dole. Unemployment is already at an all-time high of 4.3 per cent. And many fear that Nippon Steel, for example, took a further sharp increase in the number of jobless could have a damaging effect on consumer confidence.

ductor manufacturing: it sold its All the same, change may be inevitable. Rather than subsidisests. Kao, a cosmetic company ing employees in unproductive activities, the government recognises that it must provide work. ers with retraining, though so far such programmes, commonplace iba's Mr Nishimuro who said 30 existent. The biggest change may need to come from the workers themselves. "Japanese people all have the

idea that changing jobs is shameful," says Minoru Makihara. chairman of Mitsubishi Corporation, the trading company, "We have to change that."

Mugabe's folly

The writing is on the wall for Instead the budget assumes President Robert Mugabe. The that revenue will grow suffisuccess of yesterday's one-day ciently to allow increased spendstrike called by Zimbabwe's trade ing and a fall in the deficit from union movement represents far the forecast 6.5 per cent of gross more than a protest against the domestic product to 6 per cent recent increase in the price of next year. Like many previous luel. It is a symptom of growing budgets, this one is an exercise in opposition to an increasingly corrupt administration under an unpopular president, responsible the Congo, where Mr Mugabe has for what may prove to be his sent up to 10,000 troops. greatest folly: the country's

the Congo conflict. crat at heart, and a reluctant contion is the last straw. vert from a state-run economy to market-driven reform, But the first stage in the current decline came 15 months ago, when he agreed to pay veterans of the fective if the policy environment compensation that the country put this principle into practice. could not afford.

This was followed by the listowned farms for compulsory acquisition by the state as part of the stalled land reform programme. However strong the case for land redistribution, this

was not the way to do it. The recent budget provides further evidence that Mr Mugabe continues to pursue policies he cannot pay for. The combination . of tax cuts and a weak economy should have forced the government to cut spending.

For most Zimbabweans, who costly military intervention in have seen average real wages fall by one-third since 1990 and their Zimbabwe's crisis has been a currency collapse from Z\$21 to long time in the making, for Mr more than 2860 to the US dollar Mugabe has always been an auto- over the past year, this interven-

Donors and lenders should be in no doubt about how to respond. As the World Bank report this week said, aid is inefguerrilla war for independence is wrong, and the Bank should In a country where there is no

meaningful opposition, where the ing of nearly 1,500 privately state controls the bulk of the media, and where the business community is ineffectual, there is no guarantee that President Mugabe, now 74, will respond to the pressure. But if Mr Mugabe, who 20 years ago presided over Zimbabwe's remarkable transition from war to majority rule, wants to be remembered for the way he assumed office, rather than last-ditch attempts to cling to power, he should start prepar-

ing for his successor.

Oskar night in Brussels? What to make of the latest

rumour sweeping the Hugo Boss-suited salons of Bonn? Extraordinary as it may seem, Oskar Laforitaine, Germany's Bundesbank-baiting new finance minister, is being touted as just the man to succeed Jacques Santer as the biggest cheese at the European Commission.

Reports that the French

government has already been sounded out on the idea of a German candidate are wide of the mark, say Bonn officials. And a decision to field Lafontaine would come from left field: the European Union's southern states are in line for crack at the top job in Brussels when Santer's term finishes at the end of next year. While Laforntaine has solid left-leaning credentials essential in the new Europe -

former Italian prime ministers

would be far more logical

Romano Prodi or Giuliano Arnato

choices. That said, Lafontaine's early departure for Brussels would arguably make life easier in some quarters. You don't have to have a finger on the pulse of German politics to notice that Chancellor Gerhand Schröder's debut has been overshadowed by the outspokenness of his waistcost-wearing finance

Schröder's inner circle are behind this week's idle speculation. But you have to wonder what they make of it all over at the finance ministry.

Shrimp surprise

Sticky moments as Kuala Lumpur rolls out the red carpet for the Asia-Pacific Economic Co-operation forum. Movers and shakers from across the region are jetting in this week and next to compare notes. Even Bill Clinton is taking time out to sample the seafood ravioli at Monday night's gala dinner.

Let's hope the Chinese and l'aiwanese delegations are seated on opposite sides of the banqueting suite. Quite apart from the usual needle, the Apec organisers are doing a fine job keeping relations at boiling point. The official media handbook for the event lists China's leader not as President Jiang Zemin but as Chiang Pin-kung - who just happens to be Taiwan's top economic planner. Should add some spice to the menu.

Turtle neck

Shinji Sugimoto and Mikako Segami may not see much of each other in their first years of marriage. The Japanese couple, who fied the knot in Brisbane a couple of weeks ago, were found by Australian customs officials to be talding home a slithering

Close inspection of the newlyweds' hand luggage revealed three oblong turtles. four shingle-back lizards, two other fizards, a gecko and a thorny mountain devil. All carefully packed in plastic containers and with an estimated market value of AS30,000.

Things went from bad to worse when the thorny mountain devil passed away after the young lovers were arrested - the result of being treated like a bottle of duty-free saki. Could mean 10 cold-blooded years in captivity.

Schiphol slope

Into the political thicket surrounding Amsterdam's Schiphol airport plunges new Dutch transport minister Tineke Netelenbos, whose name means bunch of nettles. Europe's fourth busiest passenger hub is in breach of legal noise limits, she says, and will have to refuse flights on nights when the wind blows the wrong way. Frequent flyers already know

not to rely on early-bird flights into Schiphol to get them to their morning meetings: now even setting off the night before provides no guarantee. The airport will have to close whenever stiff westerlies are blowing at night - a regular feature of the chilly Dutch winter. And because decibels are totted up on an annual basis, the measures will be in force for the

Not only jet-set executives will feel the pinch. Sir Michael Bishop, chairman of British Midland, says noise constraints have turned Schiphol airport from one of the best in Europe into one of the worst". John Dasburg of Northwest Airlines varns that the problems are putting his alliance with flag carrier KLM under strain.

-20.6

-56.5

-121.7

-23.3

-47.9

-36.4

restructure their business portfo-

a deep breath and acknowledged

this year that there were no syn-

ergies between steel and semicon-

chip business to Taiwanese inter-

best-known for its adhesive nose

strips, decided to end floppy disk

production. The most impressive

declaration has come from Tosh-

per cent of the company's portfo-

lio would face changes in the

As with other aspects of

restructuring, though, change

has been patchy, not widespread.

None of the big five integrated

electronics groups, for example,

coming years.

26

-24.2

4.2

-50.5

-5.2

-29

24.4

The airport needs a tifth runway, but that is some years away. Even further off is a proposed new site, maybe in the North Sea, now being chewed over by the Dutch cabinet. Meanwhile the noise restrictions sting passengers, airlines, and Schiphol's privatisation prospects. Time for Tineke to grasp the nettie?

A colleague of Observer's was politely but firmly refused entry to an exclusive club this week for not wearing a tie. Which brings to mind the story of another casually dressed gentleman who attempted to enter an equally prim and proper club only to find

his way barred by the porter. On being told he had to wear a neck-tie, the visitor returned to his car, extracted the jump leads from the trunk and returned to confront the burly gatekeeper. 'What's that?" inquired the doorman. "A tie," came the repty. To which the flunkey replied: *Ainght, you can come in. But don't start anything."

Financial Times 100 years ago

German Bank Rate Rises

Berlin, 11th Nov. The German Imperial Reichsbank, as anticipated by the Bourse, to-day raised the Bank Rate to 51/2 per cent. This decision was arrived at at a meeting of the Central Committee of the Bank, presided over by Dr. Koch, the Governor, which lasted a considerable time longer than such meetings usually do. Dr. Koch explained that, already at the last quarter, the claims on the Bank were larger that at any like period during recent years. and since then great issues have been coming almost daily on the market.

50 years ago "New Deal" Programme

Washington, Nov. 11, "New Deal" enthusiasts remaining from the days of President Roosevelt have a new birth of enthusiasm and are working hard to develop and urge upon President Truman the major elements of a legislative programme which they hope Congress will rapidly approve in something like a repetition of President Roosevelt's first 100 days. This group believes that the time is ripe for a definite "New Deal" programme to be pushed through Congress.

FINANCIAL TIMES

ECCLESIASTICAL

THURSDAY NOVEMBER 12 1998

THE LEX COLUMN

Slippery banks

Investors have so despaired of German banks that even mediocre results can prove uplifting. Fair enough, perhaps. The third quarter was horrible for all banks with substantial emerging markets business. Dresdner turned in an operating loss and Deutsche Bank maintained its large presence in the banana skin market. Compared with these two. Commerzbank did well to avoid slipping up on Long-Term Capital Management and Russian GKOs. That aside, bowever, its nine-month results actually make quite grim reading.

Most important. Commerzbank's cost base is growing at an unhealthy pace. A expenses has taken the bank's cost/income ratio before provisioning to 63 per cent from 56 per cent last year. With international investment banking costs rising 62 per cent. its decision to develop the business organically will soon look foolish unless revenues start to pick up fast. In current markets, that is unlikely. In fact, aside from a decent(ish) 13 per cent growth in commission income. Commerzbank's revenue streams were lacklustre. Trading income fell 19 per cent and, worryingly, net interest income was down nearly 4 per cent.

Had it not been for the tax-free sale of stakes in Credit Suisse and Banca Commerciale Italiana, post-tax profits would have shown a sizeable fall. While by no means the worst value among German banks. Commerzbank remains cheap for

Intel

A builish trading statement from Intel is a pleasant surprise. Over the past 18 months the semiconductor maker had specialised in profit warnings. The reversal in fortunes reflects a seasonal upturn shead of Christmas and recovery from the severe inventory correction that blighted the whole industry's first half. But the fact that intel is seeing strong demand in all geographical areas again, and from both consumers and corporates, suggests that the chip industry is finally through

the worst. Indeed, the effects of the Asian crisis, which initially slaughtered demand, are now turning positive for western semiconductor manufacturers: input costs have ator, is not counting on it. The company rates to ease lower, but at a more lei-fallen, some Asian competitors have been may invest further in US nuclear stations, surely pace.

knocked out or reduced capacity, while others are pricing more sensibly. The iron test is that prices for D-Ram chips, that

most suicidal of markets, are starting to

edge up. This should certainly help Sie-

mens' planned spin-off of its semiconduc-

tor operations. And more broadly, Intel's

renewed strength reflects improving

demand for personal computers, home for

almost all its chips. Like any self-respecting cyclical sector. share prices will now overshoot. Intel. IBM and Dell are all already at new highs. For the next few months, momentum will remain in their favour. But as the millennium approaches, technology spending could start to falter. Investors must then be prepared for a rapid retreat.

Nuclear energy

They may be dirty words in Germany right now, but nuclear energy is clean. alive and kicking in the UK. So clean in fact that at least one minister refers to nuclear and renewable energy in the same hreath. After all, nuclear is key to meeting targets for reducing greenhouse gas emissions. So is nuclear a go-go industry? No. Germany's recent decision to phase out nuclear-powered electricity generation will cause a rumpus if it is abrupt. But the trend is shared by most industrial nations. Only a handful, such as France and Japan, are planning new plants. The UK may, in a decade or two, join them. But British Energy, the UK nuclear gener-

ment horizon fairly short.

British Energy wants to spend its strong cashflows buying into electricity companies. Electricity distribution would provide it with cashflows partly to match decommissioning liabilities, and a longer-term investment proposition. Moreover, if power shifts towards the electricity retailers, owning that part of the chain has

British Energy's record is good. It is managing plant shutdowns more effi-ciently and reducing costs, although it is also the beneficiary of market distortions which have kept wholesale electricity prices high. Management's next challenge will be to resist overpaying for its target.

UK inflation report

Spare a thought for the Bank of England's monetary policy committee. First, it loses its compass: the average earnings data, a crucial indicator of inflation, have fallen into disrepute. Then the weather turns nasty, with financial market turbulence delivering a fearful buffeting to the global economy. No wonder the MPC is left bewailing the "considerable uncertainty about the future path of infla-

Still, the Bank in its latest inflation report has avoided lunging for the panic button. Growth is expected to slow sharply next year, but recession is not expected. Inflation is forecast to hit the 2½ per cent target in two years. Is this all too good to be true? Gloomsters will worry about depressed survey data and blood-curdling news from the High Street. But the Bank is right to be cautious. After the fallout from financial market penic. with knock-on effects for business and consumer confidence. Yet with the panic clearly past, who is to say confidence will

not recover There are two main risks. One is a market relapse, which would further damag growth and confidence. The other is that the British consumer has a stingy Christmas. In either case the Bank will surely cut rates sharply - something it has shown itself willing to do. More likely, subdued inflation prospects will allow TOKYO INTERVENES IN EFFORT TO STAVE OFF CORPORATE CREDIT SQUEEZE

Japanese government plans to lend Nissan up to \$850m

by Alexandra Harmy and Gillian Tett in Tokyo

The Japanese government is proposing to lend up to Y100bn (\$850m) to Nissan Motor, Japan's econd largest car manufacturer.

The move highlights the degree to which the government is intervening in the country's financial system to stave off a corporate credit squeeze.

The loan would be provided by the lapan Development Bank, the government-sponsored institution that was most active in the early postwar period helping to finance young companies. It would be one of the largest loans the JDB has made to a ingle company, and far higher than the Y5.5bn worth of long-term loans it had outstanding to Nissan as of March 1998.

size or manner of the additional funding yesterday but indicated it would be an extension of an existing

Nissan and its affiliates are facing mounting problems raising funds

this week Nissan, a key member of the Puyo keireisu, or corporate family, warned it would post a Yi0bn loss in its year to March 31, 1999, on an unconsolidated basis.

The credit squeeze at companies such as Nissan has arisen partly because Japanese banks are reducing lending in an attempt to meet international capital adequacy standards. The Bank of Japan said the balance of outstanding lending by banks in October was 3.3 per cent lower than a year earlier.

Growing investor concern about

the strength of some corporate groups has worsened their funding problems. Nissan, for example, had Y3.900hn Habilities at its last March year end, leaving its gearing at 304 per cent. The group said earlier this week that it wanted to reduce its consolidated debt by Y1,000bn and expenses by Y400bn by 2001. Two weeks ago, it took out a Y500bn credit line with about 10 Japanese banks in response to what a spokesman then decribed as an "extremely tight financial situation." Govern-

from commercial sources. Earlier ment officials said the new JDB long would probably total up to Y100bn. The government is encouraging

the JDB, which has Y16,284hn in loans outstanding, to expand its lending sharply to counter the credit squeeze. In particular, it is drawing up plans for the bank to start makloans to companies with bonds that mature next year, using funds from the Fiscal Investment and Loss Programme, another governmed body. Kaoru Yosano, trade minister, said: "We want to prepare more than Y5,000bn worth in FILP funds for

that purpose." The Bank of Japan has also been expanding temporary purchases of short-term corporate instruments. such as commercial paper, to provide more funds to the corporate

Government officials have hinted this week that the Ministry of Finance is also helping Japanese banks avert dollar funding

Editorial Comment, Page 15

One of Mexico's most-wanted fugitives arrested in Australia

A former hillionaire banker and one of Mexico's most-wanted fugitives. has been arrested in Australia where he was living in the guise of an Italian grocer, officials said.

Before fleeing the country in 1994, Carlos Cabal Peniche, a brash young planter from the eastern state of Tabasco, built a giant business empire from scratch by acquiring two Mexican banks from the government, Cremi and Union, and the Del Monte Fresh Produce Company, in its time Mexico's largest agro-busi-

But he allegedly financed the busi-sesses by peddling loans to himself. His empire collapsed in 1994 when the government seized the two hunks and accused Mr Cabul of steal-

His capture, after a four-year manhunt spanning at least three continents, is timely for the Mexican government. It is eager to dispel

been soft on white-collar crime folthe banking system since 1994. The government netted \$12.4bn from its privatisation of 18 banks in 1991 and 1992, and pledged \$60bn to bail them out, partly as the cost for bed banking practices before and after

Mexico's 1994 peso devaluation. Mexican authorities said yesterday they would demand the return of Mr. Cabal within 60 days, making use of an extradition treaty with Australia. His lawyers in Mexico said it was not clear whether he would fight extradition

White-collar crime is not considered a serious offence under Mexican law and alleged perpetrators are

Mr Cabal was arrested early yesterday at his beachside mansion in Brighton, a wealthy Melbourne neighbourhood. Mexico's attorney general office said he had entered

Australia with his wife and four chil-

opposition allegations that it has dren using false passports issued in the Dominican Republic. It said that lowing its controversial bail-out of in Australia, Carlos Capal had cheeses and Italian olive oil.

In Mexico, Mr Cabal faces 10 charges, including fraud. In a similar case, ex-banker Angel Rodrigues was extradited from Spain to Mexico this year on fraud and emberziement charges and immediately obtained an injunction against arrest.

The return of Mr Cabal could play into opposition hands. Politicians from the left-wing Party of the Democratic Revolution have said he financed electoral campaigns for prominent members of the ruling Institutional Revolutionary Pi (PRI). Mr Cabal's downfall is an embarrassment for Mexico's ruling elite. Carios Salinas, former president of Mexico, had once described him as a model businessman and the investor syndicate behind his acquisitions included several PRI state

100 mars

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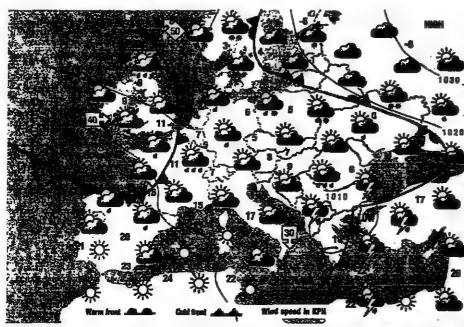
Europe today

North-west Russia and eastern andmavia will be dry but very cold. The rest of Scandinavia and much of eastern Europe north of the Black Sea will be chilly but more cloudy, with sleet and snow. From the western Mediterranean to the Alos and central Europe after early mist and tog clears - It will be fine and sunny as a ridge of high pressure moves in. A frontal system over westem Europe will bring rain followed by sunshine

Five-day forecast

TODAY'S TEMPERATURES

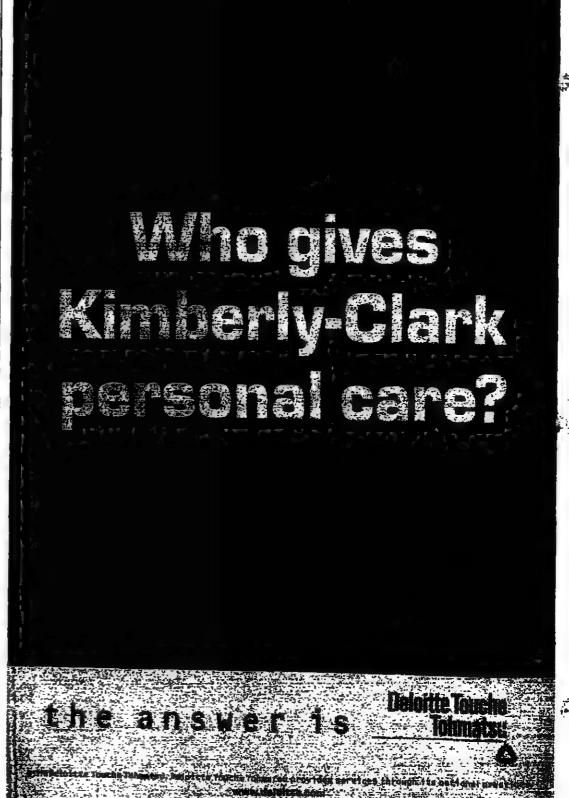
unsettled, with heavy rain and thundery showers until early next week. North-eastern Europe and parts of central Europe will continue cold with sleet and snow. Central and western parts of the Mediterranean will become increasingly unsettled by the end



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EOMPANIES & MARKETS

THURSDAY NOVEMBER 12 1998

AIRPORTS . HIGHWAYS . RAIL . WATER engineering expertise founded on experience

INSIDE

CHANDLERS =

Italy's Cir returns to family value There is, it would seem, life after Olivetti



for Carlo De Benedetti (left) and his familycontrolled holding company, Cir. After divesting a large stake in the italian information technology and telecommunications group, Cir has reverted to its family company origins. Focusing on three husi-

nesses: publishing, components and industrial machinery, has returned it to profit. Page 24

UK stock market rally may be over The rally in the UK stock market, which saw the FTSE 100 index gain almost 1,000 points in a month before the burst of profit-taking last week, took many analysts by surprise. Many traders believe it owed much to a "bear squeeze" in which investors that were short of stock have tried to close out their positions, forcing share prices higher. Such a technical rebound cannot last forever. Page 36

Singapore and HK clash over futures It may be intangible, derivative and not even unique, but wars have started over less. And with long-standing rivalry fanning the flames, Singapore and Hong Kong's argument over a futures contract to be launched this month has swiftly reached boiling point. The ultimate prize at stake is the mantle of premier financial centra in the Asian time zone. Page 30

The euro's impact on car prices The euro will inject an



locations abroad. Page 20

ABN Antro

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CGU

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Citibank

Charcup

Cable and Wireless

Carlton Comme.

Cathay Pacific

Commerzbank

Crown Casino

EarthWeb

еВау

Deutsche Sank

Deutsche Telekom

East Japan Railways

Giovanni Agnelli & C.

Grupo Carso

Cons Press Holdings

Continental Gen. Tire

Auction Universe

Important element into one of Europe's biggest price controversies - that it costs far more to buy a similar car in some countries than others. Volkswagen. Europe's biggest carmaker, says prices will converge - though not immediately, and not completely, as taxes and transport costs will maintain some

differentials. Business and the euro, Page 29 KSB seeks international expansion KSB, the German group that is Europe's second biggest maker of pumps, is intent on international expansion, especially in the US where it is week, and has DM800m (\$482m) to spend on acquisitions. The main reason is the excessive cost of doing business in Germany; other big manufacturers are already seeking cheaper

Little cheer for Pakistani rice exports Pakistan's rice exporters have become increasingly cautious about getting large export orders

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Fund seeks to renegotiate price of Simon & Schuster arm

media group, for part of Simon & Schuster's specialist publishing arm.

Hicks, Muse, Tate & Furst, the son, owner of the Financial them to another investment fund or trade buyer.

UK group to unveil

The Pearson takeover of

executive, and any hitch may However, Pearson is thought to be willing to take on Simon & Schuster's reference and

yesterday that its attempt to ing to pay Pearson follows the earnings targets.

He said renegotiation attempts "relate to slippage in

Pearson" over a "value that will reflect the actual results as opposed to what had been projected a number of months

tion that difficulties in raising unconnected with financing.

ment on the statement but the fund to proceed on the financing

Webster's New World Dictio-

Volatility of yen leads to concerns over Libor

By Edward Luce in London

Volatility in international yen markets has raised concern over the accuracy of the key "Libor" lending rate used as a worldwide benchmark for transactions in the Japanese

Some international banks are stepping up pressure on the British Bankers Association, which calculates the daily London Inter-Bank Offered Rate in yen and other currencies, to alter the basis on which the yen lending rate

The BBA yesterday conceded that distortions had arisen in the yen lending market. "We are seeing unprecedented and bizarre conditions in the yen market at the moment," said Tim Sweeney, director-general of the BBA.

The problem stems from the so-called Japanese premium, the difference between what Japanese banks pay to borrow en and what their western counterparts pay.

The premium has widened markedly in the last few weeks over fears about the future sol vency of the Japanese banking

At the same time, the interest rates quoted by western banks such as J.P. Morgan and Barclays Capital have moved below zero on several recent occasions in a reflection of the lack of appetite for exposure to

the Japanese currency.
The BBA bases its yen Libor calculation on daily quotes from a panel of eight Japanese banks and eight western

Yesterday's three-month yen Libor rate, for example, was quoted at just 40 basis points. But some argued that this failed to reflect the true market position, with the eight western banks on the panel quoting rates of between zero and 20 basis points and their eight Japanese counterparts and 80 basis points.

The top and bottom four rates quoted are automatically excluded from the average. Speculation has been rife

that the BBA planned to eject several Japanese banks from the panel in order to iron out the distortions. But the BBA refused to be

drawn on whether it planned to make any changes to the calculation.

Bonds, Page 30

Hicks Muse reviews books deal

By William Lewis in New York and John Gapper in London

private equity fund, is seeking to reduce the price it has agreed to pay Pearson, the UK

The deal between Hicks Muse and Pearson is part of the UK company's agreement announced in May with Viacom, the US media company, to acquire Simon & Schuster's specialist publishing arm for a

Hicks Muse later agreed to buy the reference and huginess and professional arms of

Citibank

plans

shift in

culture

Travelers Group.

media for sales.

By John Authors in New York

The Citibank network of retail

banks in the US is to undergo

a radical shift in culture as

part of the attempt to boost

cross-selling of financial prod-

ucts at Citigroup, the result of

the merger of Citicorp and

The retail branches will

focus on middle market cus-

tomers and on personal con-

tact with customers rather

than concentrating on the

internet and other electronic

This signals a significant

shift in philosophy from the

direction the Citibanking net-

work has taken over the past

few years under John Reed,

Citigroup co-chief executive

and former chief executive of

Citigroup's plans for boost-

nesses were central to the

ing revenues at its consume

rationale for the merger and

are now coming under closer

scrutiny after the emergence

corporate and investment

Joseph Plumeri, the head of

US direct sales and marketing

for Citigroup, said he planned

to instill the same culture that

had allowed heavy cross-sell-

ing at Primerica Financial Ser-

vices, a division of the former

"I think people want human

advice on their money, just

like they want human advice

about their body. When it

comes to money, people want conversation, and they want

advice and they want warmth

and sensitivity. There's noth-

ing we've done at Primerica or will do at Citibank that

Citibank's main thrust, by service through technological

innovation, emphasising the

convenience of electronic

Mr Phyneri started working for Sandy Weill, Citigroup co-

chief executive and former

head of Travelers, in 1966. At

Primerica, his approach has

been to build sales around a

simple "financial needs analy

sls", drawn up in meetings

between sales representative

and customers. This allowed

them to sell several products

from different branches of

He said: "We made cross

selling part of the corporate

culture. We told our employees

this was the reason we were in

cross-sell into the compensa

He intends to import this

culture to the Citibank branch

network, offering Citibankers

the opportunity to sell other

products, and provide financial

planning. He said: "I'm going

to give them the opportunity

to offer the financial needs

analysis and use it for cross-

Pilot projects have started

with Primerica's sales agents

in Atlanta and Las Vegas sell-

ing Citibank current accounts.

Future offerings will probably

include student loans.

tion programme."

canking operations.

Travelers Group.

changes my mind.

17

Times, for \$860m. It also reached a deal on distribution worth at least \$100m to

Simon & Schuster, yet to be cleared by US regulators, is an important part of the new corporate strategy devised by Marjorle Scardino, its chief

professional arms if its deal with Hicks Muse founders. It would then attempt to sell

its plans for Europe

The seven-month alliance

between Cable and Wireless of

led to the creation of the

world's second largest carrier of international telecommuni-

Richard Brown, C&W chief

executive, said yesterday that the company would next week

unveil details of its plans for

the Ruropean market, but

made it clear there would be

no role for the Italian company

People close to Telecom

Italia said C&W's decision

came as no surprise. The deal

had depended on a personal

understanding between Mr

Brown and Gian Mario Rossig-

nolo, Telecom Italia's contro-

versial former president, who

resigned three weeks ago after

Rossignolo most observers

just 10 months in office.

the UK and Telecom Italia has been abandoned. It would have

By Alam Came in London

cations traffic.

in its strategy.

and James Diffy in Floren

Tom Hicks, chairman and founder of Hicks Muse, said renegotiate the price it is willfailure of the business publishing unit to meet projected

the unit's earnings" and it was "in constructive dialogue with ago". There has been specula-

Cable and Wireless calls off

alliance with Telecom Italia

finance might lead to Hicks Muse abandoning the deal but Mr Hicks said in an interview that "difficulties around closing" the transaction were Pearson declined to com-

action said the reluctance of original terms could reflect an increase in the cost of bond The divisions involved

include specialist titles such as nary. They also include a to close at £10.31p.

manuals that may have been affected by the downturn in international economies. Hicks Muse has signed a

legally binding agreement to take on the divisions for \$860m, unless their net asset value has fallen by the time the deal proceeds. Net assets would not necessarily be affected by a fall in revenues.

The \$660m figure is lower than the \$1bn originally expected when Pearson and Hicks Muse first reached agreement. This is because Pearson is to retain Simon & Schuster's business and professional publishing arms in Europe.



designed to underpin the proposed alliance - is expected to be concluded.

thought the alliance had little future. Talks between the two operators, which would have led to co-operation in the provision of services to multinational customers, were suspended. Yesterday a source close to Telecom Italia said: There is no current substance The sale of C&W's stake in

Bouygues Telecom to Telecom Italia and a group of other

It is doubtful whether the

breakdown of the relationship will have an immediate effect on Telecom Italia. The company is in disarray after Mr Rossignolo's resignation and has yet to formulate a new executive is expected to be appointed on November 19. Both C&W and Telecom

relations and it was possible the partnership would be renewed. Mr Brown said: "The door remains open."

He was talking after announcing the company's results for the six months to September 30, in spite of the strength of sterling and problems in Asia which held back progress at Hongkong Telecom, C&W's principal subsidiary, pre-tax profits before tax and excep tional items came in 10 per cent ahead at £878m compared

dend of 4.1p will be paid, 9 per cent shead of last year's C&W's plans for expansion

in Europe were outlined earlier in the year. It has been securing licences and installing switches in a number of mainland business centres. Next week it will announce through its own network.

Background, Page 25

Market in IPOs

The US market for initial public offerings surged yesterday as three much-anticipated new issues met with enthusias-

The largest was for 18.6 per cent of Fox Entertainment. ranked as the third largest US IPO at \$2.8bn. Its shares were the most actively traded on the New York Stock Exchange at midday. The division of News Corp came to market at \$22.50

The two other IPOs did well.

renewed debate among analysts on whether the IPO market in the US has turned a corner after months of uncertainty that led many companies to postpone offerings or drastically reduce the size or

"Is the IPO market back? You bet," said John Fitzgibbon, editor of the IPO Reporter

name, profitable companies have been the only deals able to issue new shares. Small company IPOs, especially less well-known internet shares, have been held back by lack of demand in spite of a recovery In broader market indices.

on the reception given to EarthWeb, and that's going to swing the window open for a massive number of potential IPOs that are being carried by investment banking firms," Mr

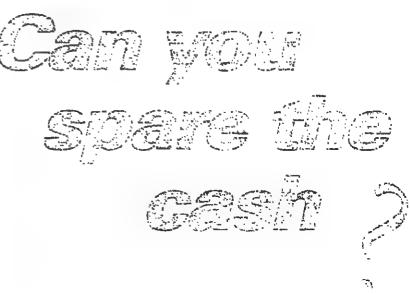
Kathleen Smith, portfolio manager at Renaissance Capital's IPO fund, said: "There's been a bull market in small cap shares, and that has set the stage for this reception today. The Russell 2,000 index of

small company shares has climbed 28 per cent since hitting bottom in October as investor confidence in risky. to rise. During the same time, Renaissance's IPO mutual fund has gained 36 per cent - a further sign of renewed confidence in aftermarket IPO per Others, however, were more

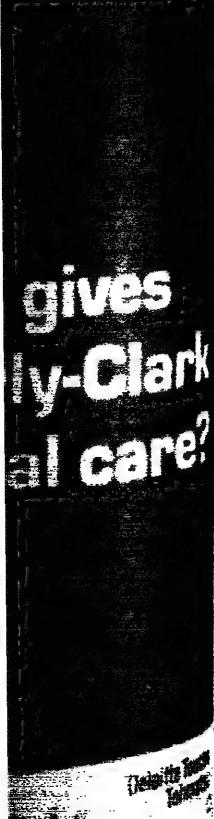
uncertain about the sustained health of the new issues market beyond the biggest deals. Especially important will be the decision on interest rates by the Federal Reserve's Oper Market Committee next week Many in the US equity and bond market expect another Fed rate easing at the Novem ber 17 meeting. If it does not happen, small company and IPO shares could suffer most.

Steven Tuen, director of research at the IPO Value Monitor, said: "The IPO market is firming up, but there are some caveats. This has been and investors are still a little

You have a great acquisition opportunity.



Oracle' Applications help you to analyse your current cash position and make accurate cash projections. You can globally view your position across any currency, organisation and time period. In other words, it's as close as you can get no predicting the future. Oracle' Applications integrate your entire business sales, service, supply chain, manufacturing, accounting, projects, human resources. Everything. Our applications capture all the information needed to provide a complete view of what's going on in your business. Every decision you make is based on up-to-date information and impact on shareholder value, If you'd like to know more call Oracle.



MARKET STATISTICS

CROSSWORD, Page 32

Alternati reports club Senchmark Govt books Bond futures and options Bond prices and peace Dividende announced, UK FASS CUITEDCY TAXAS Euro prices Eurobond prices Fixed interest Indices

FT/SSP-A World indices

Emerging Merket bonds FTSE Actuaries share indices Foreign exchange Gifts prices London share service Managed funds service Money markets New intl bond issues Recent issues, UK Short-term int raise Stock markets at a glance

More ambitiously, he plans to train Citibank branch employees and give incentives to persuade them to offer financial plans. Primerica, whose only proprietary product is life assur-

ance, was the most successful "cross-selling" vehicle in the former Travelers Group. It accounted for 50 per cent of sales by Travelers' Commercial Credit consumer lending division, and for 61 per cent of US sales of a range of Salomon Smith Barney mutual funds.

spurred by rush for three issues

and by early afternoon the shares were trading at \$242.

MONY Group, formed as a holding company for Mutual Life Insurance Company of New York, traded 20 per cent above its offer price in early afternoon trading at \$28%. EarthWeb, a thinly-traded internet stock, shot to a 250 per cent gain to \$49%.

The success of the offerings

in New York. Since August, large, brand

"The whole market hinged

AgrEvo may seek revision to Cargill price

Boon and Mikki Talt in Chicago

Cargill, the US agribusiness and industrial group, yesterday reacted with astonishment to news that AgrEvo, obtained and used genetic the German agri-chemicals group which is planning to buy Cargill's North American seed business, may seek a revision of the agreed to accept a lower purchase \$650m purchase price follow- price but also hinted that ing a complaint over alleged

AgrEvo supervisory board, said that a lawsuit filed by Pioneer HI-Bred, the US corn seed company, which alleged that Cargill had wrongfully material belonging to Pioble renegotiation of the deal. He said Cargill may have the deal may collapse alto-

Klaus Pohle, head of the tion will take place," said Mr Pohle, who is chief financial together with Hoechst, coowns AgrEvo.

AgrEvo also pointed out that the acquisition was not yet closed and said the company was now investigating with the assistance of Cargill "the potential scope and consequences of the complaint". It said it still intended to patent violation by the US gether. "I can no longer close the purchase as soon guarantee that this transac- as possible.

officer of Schering, the phar-transaction carries a genermaceuticals group which, ous price-tag; sales of the operations in question were about \$106m in 1997-98.

A Schering spokesman said Pioneer's complaint had introduced a risk to the deal that might need to be reflected in a lower purchase price. "If it ended up that royalties had to be paid to Pioneer, then that would gill] business," he said.

However, the news came deals, the AgrEvo-Cargill as a surprise to Cargill, which said that AgrEvo had not approached it about renegotiating the deal and that no discussions on this

were taking place. Careill, which earlier this week announced plans to buy the grain-trading operations of rival Continenit had kept AgrEvo informed neer's complaint, and

test the charges.

common in the area of agricultural genetics, with various companies accusing each other of misappropriating specific proprietary traits. Pioneer's suit was filed last month against tal Grain, acknowledged that including DeKalb Genetics and Monsanto's Asgrow Pioneer, then that would of the lawsuit, but said that Seed, as well as Cargill. Pioneduce the value of the [Car- it saw "no merit" in Pioneer has won a similar suit against Holden's Seeds.

AT&T, MCI to compete on BT service Lawsnits have become

AT&T, the largest US long-distance operator, and MCI/WorldCom, the fastgrowing alternative carrier. will for the next two years compete to distribute the services of Concert Communications, British Telecommunications' global supercarrier, in the US.

BT announced yesterday that AT&T had become a non-exclusive distributor of Concert services in the US. The UK group and AT&T announced a global alliance earlier this year which should see the two companies co-operating to develop a global network based on internet technology.

BT, however, has an existing agreement with MCI to distribute Concert services on a non-exclusive basis. This is a consequence of the deal through which World-Com acquired MCI earlier this year, buying BT's 20 per cent stake in the US com-

pany in the process.

WorldCom, however, is likely to favour offering customers its own services over Concert's equivalent offering. It said yesterday that its chief commercial objective was to bring as much traffic

onto its own network as

cable and Wirele

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WorldCom's strategy is heavily based on the fact that it owns its international networks and is therefore able to control the quality of service it offers.

It is able to offer its cus tomers advanced services such as frame rolly and asynchronous transfer mode (ATM) which are also available from Concert. It would therefore, offer its customers Concert services "when it makes sense" BT said that AT&T will

sell the Concert portfolio under the AT&T Concert brand. Concert is one of a number of global supercarriers competing for the business of large international customers in 52 countries. Committed contract revenue from these customers comes to \$2,75bn, BT says. The BT/ AT&T deal remains subject

It has been clear since WorldCom won the battle for MCI that BT would have to seek a partner to help distribute Concert services in the US. The AT&T agreement is seen as preferable to buying a US telecoms company at today's high prices.

NEWS DIGEST

TYRE MANUFACTURING

Grupo Carso to sell unit to Continental General

Grupo Carso, owner of Mexico's largest tyre producer, is to sell the division to Continental General Tire, the US subsidiary of Germany's Continental, for cash and a 19,4 per cent stake in the US manufacturer. The deal, valued by analysts at about \$260m, was the first divestment by Carso, one of Mexico's leading conglomerates, since its billionaire founder, Carlos Sim Hélu, handed over control to his 31-year-old son, Carlos Slim Domit, last month.

Seen as a response to globalisation of the world tyre market, it gives Continental a stronger footing to supply Mexico's fast-growing car industry. Mr Slim Domit saw it as strengthening Carso's position in the global tyre business. The transaction, effective from December 1, was welcomed by analysts and Carso's shares on the Mexico 🕊 stock exchange were up almost 2 per cent at midday. .

*Carso was a local tyre player in a global game. They did the smart thing by getting out," said Bond Snodgrass, analyst at Warburg Dillon Read in Mexico City. Carso said it received \$18.9m in cash as well as the shares, and that it would participate on the US company's board. It would also retain some oversight of the Mexican operation, which has 2,700 employees and had turnover of \$328m in 1997. Continental is the world's fourth largest tyre manufacturer. Analysts were rejuctant to put a precise price-tag on the takeover because Continental General Tire is a privatelyheld company. Henry Tricks, Mexico City

CONSUMER PRODUCTS

P&G to sell Hawaiian Punch

Procter & Gamble, the US consumer products group, yes-terday put its Hawaiian Punch soft drink brand up for sale, saying it wanted to concentrate on more strategic opportunities for its food and beverage business. However, it said it would keep the brand if it did not receive a satisfactory offer.

drink in the US, with sales of about \$130m in P&G's fiscal year to June 1998. Other brands in P&G's food and beverage division include Pringles crisps and Sunny Delight fruit drinks. Richard Tornkins, New York

NATIONAL BANK OF CANADA

USS 250,000,000 Floating Rate Notes due 1999

In accordance with the Description of the Notes, notice is here-

by given that for the Interest Period from November 12, 1998 to February 12, 1999 the Notes will carry an Interest Rate of

The Calculation

The Interest Amount payable on the relevant Interest ment Date, February 12, 1999 will be US\$ 143,34 per US\$ 10,000 principal amount

The Calc

5.60907 % per annum.

of Note and US\$ 1,433.43

per US\$ 100,000 principal

amount of Note.

Catastrophes ravage US insurance returns

Hurricanes and the collapse in financial markets, plus more intense competition, are taking their toll on earnings

By John Authors in New York

The profits of US property and casualty insurers sustained a serious battering also made it harder for during the third quarter, as catastrophe losses neared worst-ever levels.

Hurricane Georges, which hit the Caribbean and Florida in late September, is estimated to have created insured losses of \$2.5bn alone, even though many of the worst affected areas, such as Cuba, are not covered by US insurers.

Hurricane Mitch, which devastated Ronduras and other areas of central America last week, appears to have had an impact during this quarter, although insured losses are likely to be much lower as most victims were uninsured.

The collapse in financial markets during the quarter insurers to realise investment gains, although the markets have largely recov-

ered in the current quarter. On top of the high loss rates, insurance experts are projecting that the industry will continue to increase revenues from new premiums at a very slow rate, barely in excess of inflation. This is mainly due to the intensely competitive and fragmented nature of the industry, particularly commercial insurance, which makes it hard to

According to insurance analysts surveyed by the New York-based Insurance Information Institute, net written premiums for the industry will rise by 2.4 per

\$8.3hn, roughly treble the cent this year - down from 2.8 per cent last year and 3.4 per cent in 1996. However, with inflation projected at 1.6 per cent, this would be a relatively high "real" growth rate. Next year, premiums are expected to grow by 26 per cent, with inflation at 2.5

On the underwriting side, the combined ratio - a technical measure expressing total payments for losses as a proportion of premiums. but excluding all investment gains - is expected to rise to 104.3 this year, and to 105.5 next year. Last year, relatively benign weather in north America helped the ratio dip to 101.6, its lowest since 1979.

Robert Hartwig, the insti-"Companies have been involved in this intense pric-



High and dry: a salling boat Ses in a street after Hurricane Georges hit the Florida Keys

taking stock and looking to refocus or even retrench in some markets. They may slow down writing new business in some lines in some states, if they view it as unprofitable in the long

the biggest quoted insurers. lowing third-quarter earnings of \$47.7m, far below the tute's chief economist, said: \$184.4m of a year earlier. The decline was thanks largely to catastrophe losses, which

The company was badly affected by smaller storms across the north-east and mid-west US earlier in the year, and predicted that losses for the year could approach those suffered in 1992. The company also saw St Paul Insurance, one of a 5 per cent decline in revenues, and announced it would now start quitting

Douglas Leatherdale, chief executive, said: "We are taking measures to improve our performance in this difficult commercial insurance market. We will not sell insurquate rate, and we will cut expenses more aggressively Even companies which

weathered the third quarter relatively well suffered falls in share price, due to wor ries over revenue growth. These included Alistate. whose catastrophe losses modest 66 per cent over the equivalent quarter. But its stock fell heavily because premiums grew by only 3.8

Investors regain their enthusiasm for the web

Ry Reger Yaylor In San Francisco

The internet sector is back on a roll after a brief setback last month when investors seemed to lose their enthusiasm for all things on-line.

Yesterday, EarthWeb, a small internet information company which lost \$7.8m last veer, saw its shares more than triple in value on their first day's trading. The stock, offered at \$14 a share, The successful offering

marks a big comeback by years' time. Mary Meeker. internet investors. Last analyst at Morgan Stanley related public offerings were Healtheon, theglobe.com and Allaire were just some of the puter sales was starting. companies forced to abandon attempts to float.

finding a sensible valuation lisher which is redefining for these companies, many itself as an internet-based of which have reached new highs in recent weeks.

that have small or no profits and exist in a rapidly changing market place. Yahoo!, the leading internet portal, for example, is now valued at close to \$17bn but had sales of just \$150m in the

past 12 months. To the bulls, it is a "nobrainer" that the enormous potential of the internet and the success of its leading companies in producing stel-

reminding investors of those the boom in personal com-Other big gainers yester-day were CDNow, the online

The febrile state of the music retsiler, which market reflects investors jumped 19 per cent to \$14\frac{1}{16}, and analysts' difficulty in and K-Tel, the music pubcompany. K-Tel shares more To the bears, there is little When it announced a music publishers hope to take sense to the multi-billion and video retailing deal with advantage of this shift.

doubled last week when it announced a similar deal with Playboy.

The most recent wonder stock in the internet sector is eBay, the internet auction business which allows individuals to auction small items online. It is now vaiued at \$5.2bn, compared with \$714m when the company floated in September.

Even those in the business lar rates of growth, will are astoniahed at such valuamake today's valuations tions. Larry Schwartz, chief executive of Auction Universe, a rival internet auction business, said eBay's month a string of internet- Dean Witter, is fond of valuation was "a little absurd". However, he mainwithdrawn owing to lack of who questioned Microsoft's tained there was a real busiinvestor interest. NetGrocer, valuation in the 1980s just as ness opportunity for these

Yesterday, Auction Universe was bought by Classified Ventures, a vehicle backed by a group of newspaper publishers. The growing market for personal internet auctions is seen as a threat to classified advertising in newspapers. By backthan doubled yesterday ing Auction Universe, the

Bullish Intel good news for US computer sector desktop computers to avoid

"millennium bomb" prob-

lems. industry analysts

It also appears that Intel's

sales in Japan are picking

up. The company offered no

By Louise Kahos in San Francisco

Intel's forecast of higherthan-expected fourth-quarter sales of its microprocessors dence in the US high-tech-

As the world's largest chipmaker, intel sets sales and PC equipment in Japan trends for the entire perhad fallen sharply over the sonal computer industry, and its chins are also used in many larger computers. So the company's statement, the US computer industry.

chips was now strong in all geographic markets and all product segments.

personal computers. One factor behind PC sales

The company has offered

few clues to the market research group, predicted trends behind its sales that the world semiconductrends behind its sales that the world semiconduc-growth. However, its results for industry would grow 11.8 7.25 per cent. Shares of indicate growing demand for per cent in 1999, following a

explanation for this trend, but analysts suggested that inventories of components past few months. Intel also said much of the

anticipated fourth-quarter sales growth was attributed late on Tuesday, that fourth- to higher sales volumes. quarter sales were expected This suggests the chipmaker to be 8-10 per cent above is selling more chips, perthird-quarter revenues of haps at slightly lower-than-\$6.7bm, signals stronger-than- average prices. This may expected growth for much of reflect booming sales of lowpriced personal computers, over the past few years. intel said demand for its particularly in the US. Intel is not alone in fore-

casting growth in semiconductor sales. A recent study by Dataquest, the market 6 per cent decline in 1998. Another study, due this per cent. growth may be moves by week, is expected to point to companies to replace older even higher growth.

are based in part on a slight increase in prices for mamory chips over the past two months - the first increase in more than three years.

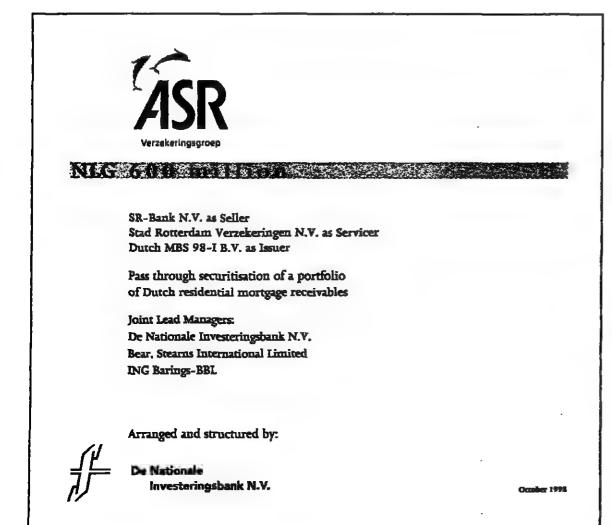
Asian economic woes. The memory chip market is dominated by manufacturers in South Korea, Japan and Taiwan. Many of the chipmakers in these countries are closing plants, cutting investment in new plants and reducing spending on new product developments.

appear to be falling into line in the memory chip market and easing the overcapacity that has driven prices down intel was up \$5%, or 5.6 per cent, in mid-session yesterday at \$102%, a 12-month

Other US chipmakers were also up strongly. National Advanced Micro Devices, an intel competitor, rose 1.42

Lex, Page 16

Hawaiian Punch is said to be the best-selling fruit punch



Shin Won Corporation US\$ 18,000,000 0.5% Convertible Bonds due 2008

The issuer accommodates

Bondholders Meeting 10:00 AM 30 November 1998 Conference Room, Shin Won Building 532 Downa-dong, Mapo-ku

Soul, Korea **Discussion Topics** Presentation of Shin Worr's Workout Program Amendment of Terms and Conditions of Bond

> For lodging and flight arrangements Contact H. Steve Chough (Fax: 82-2-3274-5139)

Lodging and flight expenses are assumed by the issuer

Christiania Bank og

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Primary Capital Undated Floating Rate Notes

Notice is hereby given that the Rate of interest has been fined 5.825% and that the interest

payable on the relevant Interest Payment Date May 12, 1999, against Coupon No. 25 in respec of US\$10,000 noninel of the Notes will be US\$222.81 and in

respect of US\$250,000 nominal of the Notes will be US\$7,070.31.

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er 12, 1998

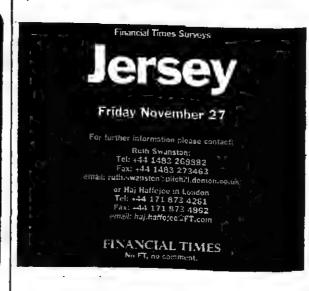
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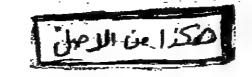
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Global Agency and Treez Services Catheric, N.A., London 12 November 1998 CITIBANC





Cable and Wireless plc - Interim Results for the six months ended 30 September 1998

Financial Highlights			
3- 4	30 September 1998	30 September 1997	Change %
Turnover including share of joint ventures	£4,336m	£3,903m	+11
Group turnover	£3,622m	£3,383m	+7
Total operating profit	£968m	£835m	+16
Profit before tax and exceptional items	£878m	£797m	+10
Profit before tax	£1,122m	£1,116m	+1
Earnings per share before exceptional item	ns 19.1p	17.0p	+12
Dividend per share	4.1p	3.75p	+9

Chief Executive Statement

Cable & Wireless Chief Executive Richard H Brown said

"Cable & Wireless has delivered encouraging growth in underlying revenues and profits. These figures represent a sturdy performance, achieved in a period of substantial investment, strong Sterling and difficult economic conditions in Asia.

We have continued to reshape Cable & Wireless, building on our unique global presence and positioning ourselves to be a leader in the communications growth markets of the future. We have anticipated the trend towards internet standards in global communications, and in one move grasped the opportunity to become one of the world's leading Internet businesses. We have successfully withdrawn from a number of businesses we could neither influence nor control sufficiently as we focus on delivering operational excellence.

We have made great strides in rebalancing away from dependence on revenues from Hong Kong and traditional international telephony revenues. Revenues outside Hong Kong now represent almost 70% of the total revenues, and non-international revenues have risen 20% to 64% of total revenues. Earnings are being impacted by the difficult trading conditions in Hong Kong. However, the overall prospects for the Group remain encouraging."

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Hawaiian Put

•	For the	For the	
	ended	6 months coded	For the year ended
		30 September	31 March
	1998	1997	1998
	Lm	. Lan	
Turnover of the group including its since			
of joint ventures and associates	4,334	3,903	8,302
Less: share of turnor or of joint ventures	(664)	(441)	(1,141)
Less: share of turnover of associates	(50)	(79)	. (160)
Group tzirsover	3,622	3,393	·7,001
Operating costs before depreciation			
and exceptional items	(2,316)	17,1001	(4,517)
Exceptional items	46		192)
Operating costs before depreciation	(2,270)	(2,166)	(4,609)
SETTINA	1,352	1,217	2.392
Depreciation before exceptional isome	(450)	(396)	(833)
Exceptional items			(158)
Depreciation	(450)	(396)	(991)
Group operating profit	902	821	1,401
Share of operating profit in joins ventures	53	15	37
Share of operating profit in associates	13	- 0)	441
Total operating profit	968	835	1,434
Profits less (fostes) on sale or terranation			
of operations before exceptional items		1 3	6
Exceptional items	L1	519	_519
Profits less (losses) on sale or termination			
of operations	_	524	525
Exceptional custs of a fundamental reorganise	Lion -	(200)	(200)
Profits less (Joseph) on disposal of fixed assets			
hefore exceptional items	90	41	85
Exceptional Items	198		518
Profits less (losses) on disposal of fixed assets	288	43	803
Net Interest and other similar income			
- tuonb	(91)	(57)	(113)
- joint ventures and associates	(43)	127)	(65)
Profit on ordinary activities before taxation	n i,122	1,116	2,184
Tax on profit on ordinary activities	(222)	(150)	12941
Profit on ordinary activities after totation	900	966	1,940
Minority interests	(239)	(168)	(652)
Profit attributable to shareholders	. 611 .	. 798	1,268
	Pence	Pence	Pence.
Eliminas pairistera de la Servicio de 1977.	24.2	35.4	56.B
Euroines per share before exceptional Item		17.0	32.3
Fully diluted samings per share	25.8	34.6	55.7
Dividends per share	. 4.10	3.75	12.25

Group Profit and Loss account

Group	Balance	Shee

	39 September 1996	in restaud W September Juor	As restated 31 March 1988
	Em	100	301
Fixed assets			
Goodwill	1,022	_	_
Tangible assets	8,648	8,063	8,532
Interest in net assets of joint ventures	462	196	570
Investments in associates	91	Tig	I-pt
Other investments	300	192	14-
	10,515	9,307	9.44
Current arrets			
Stocks	148	309	150
Current asset investments	138	-	-
Debtors - due within one year	1,647	1,440	1,344
 net debtors secuntived 	117	-	54
 due after more than one year 	051	3-67	1"34
Deprets and cash	1,021	1,900	784,5
	4,452	3.42	hir.č
Creditors: amounts falling due			
within one year	2,834	2,575	2,7.66
Nec corrent assets	1,499	717	0°0
Total assets less current liabilities	12,013	10.134	10,112
Creditors: amounts falling due			
after more than one year	4,783	4.1.R	4,202
Provisions for liabilities and charges	249	360	,334
interest in net liabilities of joint ventures	[44	170	
Nut assets	6,917	5.440	5,513
Capital and reserves			
Called up share capital	103	Sori	570
Share premium account	1,455	530	554
Profit and lots account the previously reporte		1 1102 1	1.973
Proc year adjustment	-]: ~'``	"""
- elimination of Optus licence	1 _	1 1 (1561)	12500
- exchange retranslation on ficence	1 -] ""	22
Profit and loss account	2,276	1.952	1,840
Equity shareholders' funds	4,332	3.050	· 29h
Equity minority interests	2,585	2.346	2,519
	6,917	5,446	5,513

Summary Group Cash Flow Statement

3	f menths ended io September 1993 Cm	is months (Mades) for september (in)**	For the test cluded A Shigh Page and
ेल व्यक्ते व्यक्तिक १६वम कृत्यामञ्	1,119	3 1950	2,703
Desidends from point ventures	4	1	14
Dividends from associates	1	1	1.5
stand to greater him on anterior to dealers.	e (322)	1250	1,6521
T.O. River	(69)	1911	12841
Capital expenditure and financial investment	(872)	10571	12,4441
Acquisitions and disposals	(969)	020	16401
Egery dividends paid	(194)	(150)	(242)
Management of liquid resources	(57)	124	25H)
Net financing raised	1,666	- 03	229
Increase in cash in the year	307	67	250

Consolidated statement of recognised gains and losses and reconcilization of movements in shareholders' funds

36	For the emded September 1998	for the stated for the former codest even form time	As rectated for the year crisical 31 March press
Profit for the period Currency translation differences on foreign curr	611	_0 (M)	1,288
net incestments and related bearingings	(91)	12	11-1
Unrealised gain on part disposal of a subsidiary		154	1,55
Total recognised gains and loves relating			-
in the period	520	Uniq	1,249-
Prior year administra	22	. 0	- 122
Total gams and leaves since last report	542	1070	1,2"1
Drydends - intensit	(106)	(85)	(85)
- กิกลโ	-	-	([4))
New share capital rested	928	13%	N/s
Adjustment in respect of scrip dividend	-	1-	1-
Goodwall written hack	29	113	lib
Grade में अप्रावस्त वर्ष संवास्त ली		(1.623)	(1,840)
Total movements in shareholders funds	1,390	15(5)	1629
Opening shareholdery funds	2,964	3.749	5.749
Closing shareholders' funds (as previously repo	nteci. 4,354	3,30n j	5,120
Prior year adjustment-chimination of Optus lices	ne –	11501	. (150)
- exchange retranslation on licence	(22)		
Closing shareholders' funds	4,332	3,050	2,444

Financial Performance

Turnover including Cable & Wireless' share of associates and joint ventures increased by 11% to \$4,356 million t15% at constant exchange rates). Group turnover for the six months to 30 September 1998 increased 7% to \$5.622 million (9% at constant exchange rates). This has been achieved despite the economic downnam in Asia, the strength of Sterling and major investments for future growth.

Total operating profit, including the Group's share of joint ventures and associates, after an exceptional operating item being the write back of a legal provision of 346 million, rose 16% to 4968 million. Improved contributions from our joint ventures continue to have a significant impact on this growth. Group operating profit, excluding joint ventures and associates, before exceptional items, rose 4% to \$856 million.

Pre-tax profit rose 1% to £1,122 million. Pre-tax profit before exceptional items grew 10% to 1878 million (12% at constant exchange rates). There were two exceptional items in the six months totalling £244 million: a £198 million profit on the disposal of a stake in MTN and a £16 million write back of a legal provision.

Excluding exceptional items, of £244 million, and other non-recurring items, of £90 million, profit before tax rose 5% to £78% million (7% at constant exchange rates). Other non-recurring items include a £74 million gain on the sale of our stake in Lauelekom and a £15 million gain on the sale of our Russian businesses. The share of the results before exceptional items autibusible to the minorities has

risen by 10% to £250 million. The increase principally anses because the minority stake in Hongkung Telecom is larger following the sale of 5.4% of the business Profit before exceptional items attributable to shareholden rose by 16%. After taking

account of the 5% share placing to raise the funds for the acquisition of the Internet husmess in July 1998, earnings per share before exceptional acms rose 12% to 19.1p. Before the effects of all non-recurring hems, underlying earnings per share grew 14 to 15.2p. Earnings per share after exceptional items were 26.2p.

Operating cash flow was £1,119 million. Capital expenditure for the period was £888. million up 22%. The major components were £206 million for Hougkong Telecom and 2454 million for Cable & Wireless Communications.

Cash paid to acquire investments in the period was £1,381 million, giving rise to capitalised goodwill of \$1,022 million. Included in the principal investments were a further investment in Bezeg for \$59 million and the purchase of the US Internet husiness for £1,060 million. The Internet acquisition gives rise to goodwill which will he amortised over ten years \$687 million has been realised from investments and fixed assets, principally the second cash payment of \$258 million under the agreement for the surrender of Hongkong Telecom's exclusive international licence, the disposal of Lattelekom for \$142 million and the disposal of Cable & Wireless Communications information technology assets for \$217 million.

Gearing (net debt to shareholders' funds) has decreased to 77%. This gearing measure takes into account 100% of the debt within our partly owned subsidiaries. Taking imo account the minorities, gearing would have been 48%. Interest cover was 10 times on profit before tax and exceptional items; 12 times including exceptional items.

Calculated by applying hat year's average rate to this period's reported currency results.

in pursuit of our vision - To lead the world in integrated communications - and to build for future growth in chosen markets, we have undertaken a number of initiatives to reshape Cable & Wireless. We acquired MCI's Internet business, desimatically enhancing Cable & Wireless' previous position as the world's largest non 15 carrier of Internet traffic in the booming Internet and data markets, which overall are forecast to grow by more than 50% per year. We have announced our intention to increase our stake in Cable & Wireless Optus to 52%, giving Cable & Wireless control of another excellent opportunity to deliver successfully our integrated communications products. In the last wear we have announced the dispress) of 1965 million worth of non-core assets, which are expected to realise profits of \$732 million, as we reposition Cable & Wireless as an operating company, Reflecting the restructuring of Cable & Wireless, non international revenues rose 20% and now represent (4% of total revenues.

Hongkong Telecom delivered a robust performance, maintaining profits while princtively reshaping the business during exceptionally difficult trading conditions, Turnaver at HKS17,150 million, down 3%, was hit by the pressure on international

services principally resulting from the economic downturn. Non international businesses, particularly Internet and leased lines services have shown strong revenue growth of 11% despite the recession, as Hongkong Telecom continues to pioneer new and fast growing markets. Mobile husiness revenues grew by 28.4%, reflecting: the acquisition of Pacific Link in January 1998. A strong emphasis on improving efficiency resulted in a 3.4 % decrease in operating costs and this helpedimainta Hongkong Telecom's operating margin at approximately 38%. Operating profits for the six months were HK\$6,505 million. Hongkong Telecom's world leading interactive television service is now available to more than 1 million homes and over 100,000 customers have been registered. Data services revenues grew by 21% and international leased circuit capacity grew 40%, driven by strong demand for internet services. Hongkong Telecom has increased its dial-up Internet customer hate by 30% and delivered 85% growth in overall Internet traffic, reinforcing its lead in Hong Kong's Internet services market.

Demonstrating Cable & Wheless' commitment to Optus in Australia, the company's name was changed to Cable & Wireless Optus in August this year. Revenues in the business gress by 10% at A\$1,483 million, costs were cut by 4% and loopes were eliminated to generate an operating profit of A\$141 million. Cible & Wireless Optus confirmed its growing strength in the Australian telecommunications market. supported by strong growth in the mobile secret - mobile customer numbers up 10% at 1.7 million. Local telephony, pay television and internet services achieved 2 59% growth rate, ideally positioning them to exploit the fastest growing sectors of the market. Cable & Wireless Optus is currently on mick to be listed on the Australian Stock Exchange in mid November following a limited public offering. Cable & Wireless has announced as intention to increase its share holding to 52% and take control at the time of the public offering.

Cable & Wireless Communications delivered double digit revenue growth up 1 % to \$1,257 million, growing strongly in all market sectors and introducing new and innovative services. Fuelled by increasing demand for data, video, and internet services, value added services revenues grew by 39% and now represent 24% of total revenue. Cable & Wireless Communications is now the world's 4th largest international corrier of traffic in its own right, carrying more international traffic for European and UK mobile operators than any other operator, with revenues in the sector up by ™ . Reflecting the continued drive to improve productivity and reduce unit costs, operating profits increased by 28% to 115° million. Cable & Wireless Communications delivered a profit before tax of 465 million. A combined approach of investing for revenue growth whilst driving cost efficiencies will enable Cable & Wireless Communications to continue to grow profits whilst improving is services to cuspment.

Revenues in One 2 One were up 50% in the period, reflecting an 83% growth in the total customer base with over 1.5 million customers. One 2 One achieved a positive earnings before interest, tax, depreciation and amortisation (EBITDA) in the period. and cut losses by a third to 132 million. With a broadened distribution in the high street and the bunch of their new business services. One 2 One is on track to continue to improve profits and grow market share.

Revenues in Cable & Wireless USA fell by 5% at USS562 million, although operating margin falls were held at 1th. These declines reflect the changed mg of revenuerelating to the legal case that has now been satisfactorily seriled. In September Cable & Wireless USA successfully acquired MCI's Internet business for \$1.7 billion. estapulting itself upwards to become one of the world's up from carriers of Internet traffic and repositioning itself to be able to exploit the explosive data and Internet sectors. This important asset will help Cable & Wireless 15A to grow revenues substantially, with annualised revenues of over 185400 million, and to succeed in the fastest growing sector of the telecommunications world

The Caribbean and Panama Region again delivered double digit revenue growth. In the Caribbean revenues grew 8% at US\$558 million and in Cable & Wireless Panams 72% at DS\$182 million. Operating profits in the Caribbean grew by 8% and by 25% in Cable & Wireless Panama. Cambbean telephony customer numbers increased by 13%, and mobile customers by 34% in the period. The grong growth rates in Panama reflect a full six month contribution following our acquisition of a 49% stake in June 1997. The mobile sector in Panama delivered paracularly strong growth. In just eight months since launch, Cable & Wireless has achieved 30% market share. As a result of the drive to diversify revenues across the region, non-international revenues showed strong growth, up 45%

Global Businesses

In the previous year Cable & Wireless formed plobal lines of husiness to leverage its unique international experience and assets around the Comp Transforming Cable & Wireless into one global company is creating value beyond the winth of the individual businesses. Lines of business under this structure include Global Mobile. Global Card. Services, Global Marine, Global Networks, and business services to global organisations, known as Global Markets.

The Global mobile line of business achieved customer growth of 15% year on year, taking the equity adjusted customer have from 2.1 million to 3.1 million customers Highlights of growth in the six month period include an outstanding performance from Mobile One in Singapore, winning 20% market share with customers up 25% in the period. Mobile revenues across the Group now equate to approximately and million, or 19% of Cable & Wireless total revenues, illustrating the increasing importance of, and the sustainable growth in, this sector.

Other Global lines of business also achieved significant growth. Our Global Manne business grew agardicanth up to 185 million; our Global Markets business also achieved strong revenue growth. In the past six months Cable & Wireless Global Markets has wen new business worth US (Sti million in revenues over the next 4 years) These was include a major order with 195500 million over a year, from the 195 based multimational ServiceNet, an Anderson Consulting point venture, to provide voice and data services in over 40 countries. Our Global Network operations position Gable & Wareless as the world's third hyggest carner of international traffic, and enable Cable & Wireless to secure the lowest possible international cost base. Complemented by our recent significant internet assessments, uniquely table & Wardow has some of the nass efficient rouses, and the broadest geographical presence, to enable it to exploit the lucture plobal opportunities of the rapidly expanding communications market

1. The interim financial statements are prepared in accordance with applicable accounting standards. The policies applied are those set out in the Annual Report and Accounts for the year ended 51 March 1928 except that the group has adopted the requirements of Financial Reporting Standard manifers 19, 11, 12 and 14 in these financial statements. No adoptinents have been made to the current or prior periods as a result of the introduction of Financial Reporting

Goodwill arrang on the acquisition of bismesses and separately identifiable purchased intangible assets are capitalised and classified as assets on the balance sheet. Where the goodwill and intangible assets are expected to have a limited useful economic life they are atmostised on a straight line basis over their expected lines. As a result of the introduction of this standard the Incince presents by recognised as part of the carrying value of the investment in Optus has been eliminated as a prior year adjustment. Goodwill arising on the acquisition of the 15 Internet business will be amortised over ten years.

- 2. The interim financial statements are unandated and do not constitute stations accounts but have been residued by the auditors. The interim financial statements for the 0 in order 40 September 1998 were approved by the directors on 10 November 1998.
- 3. The group profit and loss account, eroup balance sheet and group each flow statement for the year ended 31 March 1988 are an extract from the statutors accounts for the year which have been delivered to the Registrat of Companies. The report of the auditors on these accounts was unqualified. The Group has restated its carnings per share for the prior period. and the year crided 31 March 1998 to take account of the effect of the placing in July 1998.
- 4. The directors have electrical an interior dividend of 4 for perce (1977-3.75 perce) per ordinary share. The dividend is intembed to be paid as a Foreign Income Invidend (FID), however in the event of any circumstances arising which in the opinion of the Beard cause the FID to be ne longer in the best Interest of the Company or its stareholders as a whole, the floard will put the interim dividend as a normal dividend.

The disalend will be paid on 1 March 1999 to shareholders on the register at 29 January 1999. The declared dividend will be payable in easl on 10 March 1999 to American Departury Receipt (ADR) holders who are registered with Cathonk, N.A. as of 29 January 1990. A His idend licenvestment Plan will be offered in respect of the interim dividend. The deadline for receipt of the mandate electrons for the dividend tenvestment plan is 8 February 1999.

5 If you have some enquines as a UK distribution phease call the Company Secretary on 0171 315 6567.



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Bayer warns of low earnings growth

Baver. the German chemicals and pharmaceutiwiped DM90um (\$534m) off revenues in the first nine

The group joined the chorus of disapproval at the tax and cost-cutting. plans of Germany's new centre-left government, which it said would jeopardise invest-

Manfred Schneider, chairto pass on these extra costs in our prices, we must take crisis. appropriate cost-cutting

ties which are no longer economically viable."

Bayer's sales declined over 6 per cent to DM13bn in cals group, warned yester- the third quarter because of day that sales would stag- a sharp decline in prices. nate this year and earnings divestments and the stronwould increase only slightly ger D-Mark, as well as after the turmoil in Asia shrinking Asian revenues, especially in Japan.

But net income rose 7.8 per cent to DM681m. thanks to lower raw-material costs Bayer's results echoed

those of BASF, its fellow German chemicals group. which this week warned of a downturn in the industry man, said: "As we are unable next year and tumbling prices because of the Asian

Hoechst, the third big Germeasures or, in extreme man chemicals and drugs cases, give up certain activi- group, is expected to reveal

lishes third-quarter results Mr Schneider said business conditions would be dif-

similar trends when it pub-

profits. However, he added: already having a stabilising necessarily have to lead to a ally no significant currency decline in earnings."

ing business environment in Japan, where governmentmandated cuts in drugs prices cost the group DM50m in the first nine months.

The group also had problems in the US, where production of plasma drugs was interrupted to meet tougher standards set by US authorities. Sales in the first nine months were only slightly ahead, and operating profit fell 41 per cent to DM593m.

Baver said its business in Europe, where sales increased 4 per cent in the first nine months, was "pleasing". "The imminent DM14m annually.

would not rule out a drop in introduction of the euro is A difficult year does not effect, and there are virtufluctuations within Europe Baver suffered a worsen- any more," Mr Schneider

> UK, Scandinavia and eastern Europe, but sales growth in Germany was "disappoint-

Like BASF. Bayer warned against the government's tax changes. Plans for higher electricity and gas taxes would cost Bayer about DM150m each year, Mr Schneider said.

By contrast, the government's proposed cut in social security payments would reduce the group's non-wage labour costs by only about

group BASF, have expressed

interest in share buy-backs.

but have said they will wait

for the changes in legisla-

Schering said the move

would boost earnings per share as well as address

investor concerns about the

company's high levels of

In the first nine months.

sales rose 7 per cent to DM4.8bn after adjustments

for exchange rate changes.

In D-Mark terms, sales grew

by just 3 per cent. Operating

profits were almost static,

rising just DM3m to DM664m. Profits after tax

rose 7 per cent to DM375m.

said that with 85 per cent of

sales outside Germany, the

company would be affected

by adverse economic condi-

tions, particularly in emerg-

ing markets such as Brazil,

and a possible depreciation

He forecast single-digit

in the value of the dollar

against the D-mark.

Giuseppe Vita, chairman.

Business was strong in the

South African Breweries director, said yesterday.

"It brings within range

Announcing a 12 per cent

The principal SAB stake

if we're in London," Mr Mackay said.

Africa, central Europe and Chins On Monday, SAB said it

glass for vehicles. In the six months to Sep-

per cent rise in net earnings it warned that the figures were not entirely comparable because of recent acquisitions and disposals.

African **Breweries** eyes listing in London

By Victor Mallet

South

expects to decide whether to move its primary stock exchange listing from Johannesburg to London by the end of December, Graham Mackay, group managing

Although he gave no further details about the possibie move - which would follow in the footsteps of the Anglo American conglomerate - he indicated that he favoured the idea because t would enhance SAB's access

transactions that would be hugely beneficial strategically." he said.

rise in interim net profits, Mr Mackay also acknowledged that various international brewing groups were interested in buying into SAB. The company's latest reported suitor is Interbrew of Belgium, but Mr Mackay said a bid for SAB "would be a considerable stretch for Interbrew".

available to buyers is the 29 per cent held by Bevcon, which is jointly controlled by Anglo American, Liberty Life and Johnnic.

All three have said they want to dispose of their interests in SAB, "It might be easier for them to dispose

SAB, meanwhile, is continuing a restructuring programme which involves the sale of non-core assets and the strengthening of its international operations in

was in negotiations to sell its 68 per cent holding in Plate Glass and Shatterprufe Industries, which makes

tember 30, SAB reported a 12 to R779m (\$138m) from R694m in the same period the previous year, although

Pre-tax profit fell 13 per cent from R1.39bn to R1.22bn on turnover up 11 per cent from R13.83bn to R15.29bn. cents, against 73 cents a year

SAB said it expected earnings growth to slow in the second half, partly because of restrained consumer demand in South Africa as a result of the weak domestic

Schering to proceed with buy-back

By Frederick Stüdemanı

Schering, the pharma ceuticals group, will today become the first German company to proceed with a buy back of its own shares. even though the tax status of such a move remains unclear.

The company said it had appointed two unnamed banks to buy shares up to a value of DM500m (\$297m) in the London and Frankfurt stock exchanges

Klaus Pohle, chief financial officer, said the banks would initially purchase shares over the next two weeks but that the overall buy-back would take longer as Schering did not want to distort the market. The move surprised inves-

walt for the outcome of goveroment deliberations on the taxation of income from buybacks. In Frankfurt. Schering shares jumped 4.2 per cent to close at DM195.

tors and analysts, who had

expected the company to

A recent draft proposal



from the German finance ministry envisages tax neutrality for share buy-backs. In the past, some of Germany's regional states had claimed that share buybacks be treated in the same, taxable, way as dividends.

was taking a "minimal risk" with the move but said it believed the draft proposal would be adopted, even though it was drawn up by the previous government. Some analysts suggested

clash with the authorities. "London offers them the Schering might concentrate based analyst. Schering acknowledged it its buy-back efforts in Lon-

chance to do what they have promised without running into problems with the tax office," said one Hamburg-

don to reduce the risk of a

lfi still owns some 24.8 per

Agnelli family traded in the near 5 per cent rise in their ifi shares and bought a lift's shares in Milan yesterstake in the new holding day. If preference shares

executives of our group who want to conquer the challenges of the global market place," Mr Agnelli said earlier this week.

Agnelli move on Exor lifts Ifi shares

By James Biltz in Rome

Shares in Ifi, the Italian group that is one of the feller Center Properties. Agnelli family's main holding companies, rose sharply in Milan yesterday after Giovanni Agnelli & C. launched a \$1.6bn offer to take over

to consolidate Giovanni Agnelli & C. as its main they also reserved the right holding company, the not to accept the shares Agnelli family announced offered if less than 50 per plans to purchase the cent of the total share capiremaining shares it does not aiready own in Exor.

The Exor group has, clear to analysts earlier this

The Republic of Panama

The notes will bear interest a

6.19125% per annum for the

nterest period 12 November

1998 to 12 May 1999, Interest

payable on 12 May 1999 will

e US\$16.76 per US\$53×,4×

ortneipal amount outstanding

Johal Agency and Trust Service

CITIBANCO

2 November 1998

US\$417,402,000

Floating Rate Serial Notes 1996-2002

nee, 20.5 per cent of Rocke-30 per cent of the US company Riverwood International and 75 per cent of Chateau Margaux.

tai was tendered.

ARTAL GROUP S.A.

Societe anonymie
Registered office 10% (final-Rue - L-166) Lusembourg
R C Unsembourg R 44 470

Notice is given of an Extraordinary General Meeting of Shareholders of the Company to be held of the offices of Battage de Luvernbeurg S.A. 14, Boulovard Royal, 2449 Euvernbeurg on Monday, November 30, 1948 at 11 40 hrs.

Reduction of capital
Adaption of contributes
Cameritation of contributes
Cameritation of contributes
Ameritation of Article 5 of the Articles of Association
Special persons given to the board of directors:
Why elikancia

among its holdings, a 19 per cent stake in Club Meditera-The move on Exor is con-

the Laxembourg Stock In an operation that seeks Exchange if the takeover was successful, although

The Agnelli family made

The Board of Directors

LEGAL NOTICES

ICS REINSURANCE PRIVATE LIMITED RMCA REINSURANCE LIMITED

COMMANDE MANAGEMENT Schottes of Arrangement.

AUTICE IS HELDE CETS. That the Louth are mented to the behave for the above to heave, or branchester of the above to the command of the above to the above

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Financial Times Surveys

Turkish Finance

and Industry

Tuesday December 1

For further information please contact:

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email: kirsty.saunders/2FT.com

or Ciro Costante in Istanbul

Tel: +90 212 279 5350 Fax: +90 212 264 1761

FINANCIAL TIMES: 4

year that it wanted to sim- tinuing to hold a large porplify its complex investment portfolio as part of a plan to increase value for share-

sidered an important step in the development of that the holding company that The Agnelli family said strategy, although there is beers his name in order to fully the Luxembourg-based they would delist Exor from as yet no thought of merging create a more powerful holdany of the companies involved. When Giovanni Agnelli &

C. was set up 10 years ago, many members of the

But others did not, con-

tion of ordinary shares in ifi directly. Giovanni Agnelli - the honorary chairman of Flat now hopes to place all the

ing company at the heart of the empire. cent of the ordinary share capital in Exor, explaining

ordinary shares of Ifl with

closed L1,238 higher at

The Agnellis feel that the remaining family members will be more tempted to shares in Giovanni Agnelli & C. if the latter company gains full control of Exor and its valuable

"A coherent and strong reference point and an important support for the

Family origins, Page 24

KSB looks abroad to save on costs

Pump-maker earmarks DM800m for push, write Graham Bowley and Peter Marsh

Arestructuring of KSB, the German group which is Europe's second biggest maker of pumps, Josef Gerstner, chief executive, is now intent on inter-

national expansion. He is keen to spend up to DMS00m (\$475m) in the next rear on acquisitions. to boost annual sales by at least DM1bn from DM2.1bn last year. Most of the extra revenues would come from the US, where KSB is rela-

tively weak. Mr Gerstner is clear about the economics driving this expansion. On the one hand. the excessive costs of doing business in Germany are a heavy burden on companies like KSB and have drivenother big German manufacturers to seek cheaper loca-

tions abroad. "There are high salaries [in Germany], the longest vacation periods. These create problems." he says.

But after a loss of DM54m in 1995. Mr Gerstner launched a recovery plan that included plant closures, mainly in Germany, and about 800 job cuts. "The last three years have been a very painful period," he says.

More efficient plant procedures were introduced, which Mr Gerstner says from Germany." have increased productivity by 10-15 per cent a year since the mid-1990s. The time taken to deliver pumps to customers, for example, has

This has been a difficult

fter an ambitious adjustment, but the result has been that the 127-yearold company last year recorded a pre-tax profit of DM73m. This year, Mr Gerstner says, the company is on course to boost that to DM 120m. "Many of Germany's big engineering companies went

through crisis and have

restructured, and KSB is

now back on track," says

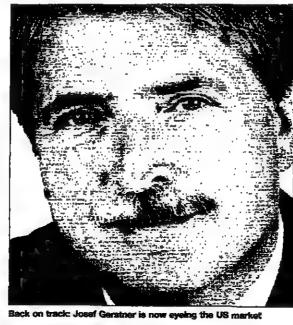
Barbara Haas, analyst at Salomon Smith Barney in Frankfurt. Mr Gerstner also places great emphasis on other forces in the economic equation: rapid growth in foreign markets at a time when

demand in Germany is all

but stagnant. "Germany is a saturated market. The infrastructure is already built, so there is no growth in this area, The market growth is moving away from Europe. This is something we have to con-

dded to these pressures are calls from KSB cus-presence in their own markets. Foreign customers ask for a high proportion of foreign content in products, he says. "We cannot serve the world with products only

Thus international expansion became a central plan with much of the additional of Mr Gerstner, who took the helm at KSB in May 1996 after spells at Siemens, MAN been cut by 30 per cent from and Deutz, other German industrial groups.



over the next three years through internal growth by 6 per cent a year, nearly twice as fast as the likely expansion in the world pump market. Mr Gerstner believes KSB could achieve annual turnover of about DM3.7bn by 2003 - which would see it the world's biggest pump-

Mr Gerstner also wants to cut the proportion of sales to western Europe from twothirds of the total to 50 per cent within five years. He sees Asia, particularly India and China, as a vital area, in spite of the economic upheaval there.

The company plans to increase annual spending on research and development from DM60m to DM100m, cash being spent on electronic or "intelligent" pumps. One such model, installed in a chemical factory, could use sensors to He wants to increase sales record changes in fluid pres-

sure and adapt its operation

KSB is also spending DM60m on a computer sys-tem that will link engineers in its four main development centres - in Germany, France, Brazil and India - to help them exchange designs overtake ITT, of the US, as and speed up development efforts.

"We should be able to use new methods to cut the development time for new pumps by half while reducing the complexity of the pump [in terms of number of components and the procedures needed to manufacture it) by a factor of 10 in some cases," says Mr Gersiner.

The company is talking to some of its main suppliers about linking their factories to KSB's main plants via computer networks to exchange information about ordering patterns and parts supply, so increasing throughput times and helping to reduce production costs further.

NEWS DIGEST

AIRLINES

SAirGroup to pay SFr1bn for large stake in LTU

SAlrGroup, parent of Swissair, is expected to announce today that it is paying more than SFr1bn (\$720m) for a substantial stake in LTU, the German charter airline and tour operator. SAirGroup has been in negotiations for several months to buy the 34.7 per cent of LTU held by Westdeutsche Landesbank. WestLB is the biggest shareholder in TUI, Germany's biggest tour operator, and the German competition watchdog has ordered it to sell its LTU stake following the takeover of Hapag-Lloyd, the German travel and tourism group, by Preussag, a German industrial con-glomerate in which WestLB also has a substantial stake.

EXT

SAirGroup has been particularly keen to buy WestLB's stake because that would give it a significant position in the charter airline business in Europe's biggest travel market. SAirGroup is understood to be interested only in LTU's airline, which carried more than 7m passengers last year, but not in its tour operator business. Villiam Hall, Zurich

STAINLESS STEEL

Low prices hit Acerinox

Acerinox, the Spanish stainless steel group, blamed lower worldwide prices and the Asian crisis for a 48 per cent fall in net profits for the first nine months of the year. Attributable net earnings dropped to Pta9.66bn (\$67.5m) from Pta18.48bn in the same 1997 period, aithough the company said the fall was exaggerated by an extraordinary Pta2.75bn gain made in 1997 from the sale of a 23 per cent stake in the Mexican company Mexinox to Germany's Krupp Thyssen. Prices, hit by overcapacity and the Asian turmoil, were "the worst for many years". However, Acernox's turnover in the nine months was only 1 per cent lower at Pta162.77bn. David White, Madrid

DELTSCHE TELEKOM

Germany sells further stake

The German government has relinquished majority ownership of Deutsche Telekom, Europe's largest telecoms group, after selling a further 11 per cent of the group's shares to the Kreditanstalt für Wiederaufbau, the publicly owned development bank. The temporary "parking" of the shares with KfW is part of a deal announced in June last year to help tackle the country's budget problems. The sum raised by the federal government was not disclosed, but is understood to be about DM10bn (\$5.94bn).

A first 13.5 per cent tranche of Deutsche Telekom shares was parked with the bank last December. Under the terms of the June 1997 agreement, the shares could be sold at market value to strategic investors in Deutsche Telekom but would not be sold on capital markets before 2000. Some 26 per cent of Deutsche Telekom's shares were floated at the group's partial privatisation in November 1996, Raiph Atkins, Bonn

INSURANCE

Storebrand shares shrug off loss

Storebrand, Norway's largest insurer, yesterday raported third-quarter losses as market turmoil took a heavy toll on investment returns. The company slid to a NKr75m (\$10m) deficit, against a NKr274m third-quarter profit last year, in spite of a jump in life assurance premiums from NKr5.4bn to NKr7.2bn. However, the losses were not as deep as many analysts had feared and Storebrand shares closed NKr3 higher at NKr56. Age Koravoid, chief executive, said market turbulence during the quarter had "really put the insurance industry to the test". However, he insisted Sto rebrand had weathered the volatility well and said equity markets had performed better at the start of the final quarter, Greg McIvor. Stockholm

BANKING

ABN to close leasing arm

ABN Arriro, the Dutch banking group, is to shut down most of the activities of Frankfurter Kreditbank, its wholly owned equipment lessing subsidiary in Germany. The bank expects to cut about 130 of Frankfurter Kreditbank's 160 staff. Further redundancies will result from the merger of ABN's Aachen and Düsseldorf offices, ABN bought the German bank, which leases machinery and vehicles, in 1990. Although profitable, its returns have been well below

the group's thresholds. George Graham, Benking Editor

Deutsche Bank cool on BfG Deutsche Bank, Germany's largest, said yesterday it was unlikely to bid for a stake in BiG Bank, a domestic retail bank. Rolf Breuer, Deutsche chief executive, sald his bank had been invited to join the bidding process for BfG, "but now that we've got more information, we feel the answer might be negative and that the bank doesn't fit our retail strategy". BfG was put up for sale after the European ssion ordered France's Crédit Lyonnais to sell its stake of slightly more than 50 per cent in return for

approval of state aid. Separately, Mr Breuer sald Deutsche was considering further expansion in Japan through an alliance with a Japanese banking institution. Deutsche on Tuesday announced a strategic alliance with Nippon Life, Japan's largest life assurer. Tony Barber, Frankfurt Commerzbank results, Page 24

ELECTRONICS

Siemens unveils sale plans

Siemens, Germany's biggest electronics group, yesterday outlined further plans for the disposal of its components businesses, announced last week as the centreplece of a DM17bn (\$10.1bn) restructuring.

It said it would launch a stock market flotation of its passive electronic components and electron tubes activities at the end of next year or in 2000. The division, which has annual sales of about DM2.6bn, will be merged with an existing joint venture between Siemens and Japan's Matsushita before the joint group is floated. Siemens plans to float its semiconductor business, the largest part of its components business, and is looking for a partner to take on its electromechanical components, which form the remainder of its components activities. Graham Bowley

CORRECTION

Bank Austria

Bank Austria's total 1998 provisions for domestic and international business will be approximately Sch10.8bn, of which Sch2.9bn will be for Russlan-related balance sheet risks and a maximum of a further Sch2.5bn for its offbalance sheet business. The figures were incorrectly reported in yesterday's Financial Times.

AT NEW COURT, OUR APPROACH TO

FINANCING GIVES YOU AN

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SAirGroup to pay SFIIb for large stake in LTU

STABLESS SHEET

BN to close leasing am

EXTRAORDINARY STRATEGIC ADVANTAGE.

Low prices hit Acerinox

MUTSONE TELEVOLU

Germany sells further state.

Stocebrand shares shrugolik

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S Newcourt

Strong home business helps lift Westpac

lia's second largest bank. said strong growth in core domestic businesses helped drive a modest profit increase in the year to September.

Signs of a slowing economy had prompted the bank to more than double loanloss provisions and sharply ation of information cut its exposure to the troubled Asia region. Westpac said integration

costs related to its two recent mergers, with Bank of Melbourne and Trust Bank had held back profit

In the current year, however, the completed mergers would yield strong synergy benefits and increase the customer base and revenues. said Bob Joss, managing

Westpac's merger with Trust Bank made the new group, WestpacTrust, New Zealand's largest banking exposure maintained branch and automatic teller

Group net profit before abnormal charges rose 4 per cent to A\$1.34bn (US\$836m), in line with expectations.

The bottom-line figure, however, fell 1.5 per cent to A\$1.28bn owing to an abnormal charge of A\$70m on the group's A\$300m programme to modernise and streamline its domestic retail branch

Carnings per share before abnormals rose just 0.1 per cent to 70 cents because of the issue of 142m shares a 5 per cent increase in shares on issue. The pro-

the A\$1.44bn acquisition of Westpac Banking, Austra- Bank of Melbourne and the conversion of preference shares.

Westpac said it expected one-off costs of about A\$320m associated with the two acquisitions, while cost benefits of about A\$200m would be gained through sypergies such as rationalistechnology processes and centralisation of head office

Mr Joss said Westpac was taking a more conservative stance towards lending in light of regional economic turmoil and a global economic slowdown.

Its total charge for bad and doubtful debts rose from A\$78m to A\$168m, with Asian exposure accounting for more than 80 per cent of the total.

The bank cut total Asian exposure by one-third to A\$6.87bn in the year, with about 80 per cent of to investment-grade cus-

In the current year, the benefits of Westpac's two mergers, its branch overhaul programme and continued growth in core business areas would help the group face increasingly tough competition in the Australasian market, Mr

"With competition remaining intense, focusing on getting the fundamentals right will be more important than

Westpac shares rose 2 per cent to close at A\$9.93 yes-

Cathay Pacific and PAL aim for joint ascent

By joining forces both Asian carriers stand to benefit from the other's strengths, writes Louise Lucas

t has been a turbulent year in Asian skies: the finan-cial crisis has forced airbe some of the world's most profitable routes, and the once lucrative industry has been grounded by rising costs and falling margins. Typical of the regional problems are Cathay Pacific,

Hong Kong's de facto flag carrier, which recurded its first loss in more than two decades at the halfway stage this year, and Philippine Airlines, Asia's oldest airline, which was forced to suspend operations in September after a labour dispute. PAL is inefficient and sad-

dled with about \$2bn worth of debt. Despite this, Cathay Pacific is eyeing a role as its rescuer, reinforcing its own Asian franchise, preventing its rivals from doing so, and into the bargain.

The proposed deal between the two - seen at this stage as Cathay Pacific taking a stake of up to 40 per cent and having input into PAL management - would offer penefits to both parties. PAL is seen as poorly

managed, but as a large airline with good routes. In contrast, management is regarded as one of Cathay Pacific's strengths; its weaknesses are a high cost base -Hong Kong - and exposure to a region in recession.

management record is that the Philippines' legions of overseas workers prefer not to use their national carrier. says Jim Eckes, managing director of indoswiss Aviation. In Hong Kong, faced with the prospect of deparfortnight-a-year holidays, many domestic helpers opi Those who have looked for Cathay Pacific over what into PAL's finances - or they have dubbed Planes

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Feels 7,000 1809 1809 Eastern Affice 26 at 25 cm of the Common State 26 cm of the Common State 27 cm of the Common Sta | Continued False | 1,822 | 1,4172 | 10,450 | 18,882 | 12,218 | 12,218 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,4172 | 13,

try of 70m people travelling great deal, but previously PAL has not been getting a lot of that business because their own country people prefer to fly foreign carri-

Traffic signals

ers," he says. PAL, unable to match a 20-25 per cent discount to Cathay's reliability, has sought to lure back these prices - obliging the Hong Kong group to do likewise. So if Cathay can lift effi-One irony of PAL's weak ciency at PAL, ticket prices could be raised at both

Another route that could bring higher yields, to the benefit of both PAL and its shareholders, is between the Philippines and the US, where PAL has traditionally ture delays cutting into their sold tickets cheaply despite little competition.

> even flown on its planes agree efficiencies could be rapidly produced through

tions and ground handling. Cathay, as part of the new Oneworld Global Alliance, could do more. Its bargaining clout with suppliers allows it to obtain aircraft at However, Philip Tulk, analist price, according to Mr Eckes, and its credit rating

ltimately this would enable it to sub-lease planes to PAL, but for now the industry's problem is over-capacity rather than insufficient aircraft.

ensures better financing

terms than most other

regional carriers.

On the other hand, the cheaper cost base of the Philippines could make it an attractive place to co-source services for both airlines. Cathay already carries some of these out in Australia or China; others ripe for relocation include flight catering

PAL could be a useful repository for some of revenues and a bigger por-Cathay Pacific's surplus air- tion of profits - have been craft, and the Philippines scrapped. might prove a rich source of and skilled in languages.

says cost savings are lower on Cathay's agenda than strategic questions. A stake in PAL, he says, would give it a base in Manila from which to beef up inter-continental routes, and would prevent others from doing the same. "There's a stratelock up this area so that analyst.

somebody else does not."

accounted for almost half of

This, analysts say, has cabin crew. Labour is made Cathay Pacific a less cheaper than in Hong Kong marginal Asian operator. Hong Kong's new airport, the larger, more efficient lyst at Lehman Brothers, Chep Lap Kok, means the territory is no longer simply an end destination.

"Now Hong Kong is on the map as a hub, and that's a really important change for Cathay because it can sell flights like Edinburgh to Melbourne changing at Hong he could overcome boars gic incentive for them to Kong to Tokyo," says an added: "There's an awful lot

Manila is unlikely to play | roof back on Brierley." Cathay Pacific's route net- a similar role in the medium work has been thrown out of term, but Mr Eckes says that and former chairman, said kilter by the Asian financial if turned round, PAL could he would work closely with crisis. Its Hong Kong-Japan soon produce annual profits and Hong Kong-Taiwan of \$100m. However, there is routes were immediately much to be resolved before vulnerable, and some of that is possible under

Brierley, Shamrock in talks

By Terry Hall in Wellington

Shamrock Capital Partners. a US investment company for Disney family interests: yesterday began talks with Selwyn Cushing, the new chairman of Brierley Investments, on its future involvement with Australasia's biggest corporate raider.

Stan Gold, Shamrock president, said before his meeting with Mr Cushing that his offer was flexible. He said Shamrock was willing to inject up to NZ\$400m-\$600m (US\$211m -\$317m) - more than initially proposed - and accept longer-dated securities. But he remained firm on the demand to manage the com-

Mr Gold said the cast injection would give Brierley relief from its bankers, permit a resumption of dividend sume its role of corporate raider at a time of great global opportunities.

narrowly won a proxy battle on Tuesday that ousted the three Brierley directors at

the annual meeting. Mr Cushing, who was appointed to the board following the meeting at the invitation of Camerlin, Brierley's largest shareholder he was keen to see the company make a fresh start.

Mr Cushing was optimistic Kong, and not just Hong room divisions, but he of work to be done to put the

Sir Ron Brierley, founder Mr Cushing and that a "couple of years or so down the with Guinness Peat Group,

Notice of a Meeting of the holders of the outstanding

U.S. \$100,000,000 4 per cent. Convertible Bonds due 2008

N.T.S. Steel Group Public Company Limited

tice is hereby given that it. Needing of the holders of the above Bonde (the "Bondholders") will be held at the offices of the Company at 19th Floor, UM Tower, 9 inhibitativesing Road, Sushburng, Bangkok 19250, TheSand on 11 December 1986 at 10 0 am (Bangkok tare) for the purpose of considering and, 5 shought it, saling the following resolution which will be proposed as an Extraordinary Resolution in 10 0 am (Bangkok tare) for the Trust Deed (the "Trust Deed") dated December 1980 needs between the Company and The Law Debenture Trust Corporation p.L.c. (the "Trusties") as trustee for the Bandholders.

EXTRAORDINARY RESOLUTION "That this Meeting of the holders of the outstanding U.S.\$100,000,000 4 per cent, Convertible Bonds due 2006 (the "Bonds") of N.T.S. Steel Group Public Company
Limited (the "Company") constituted by the Truel Deed dated 15 December 1983 (the "Truet Deed") made between the Company and The Law Deberaum True
Corporation p.f.s. (the "Trustee") as trustee for the holders of the Bonds (the "Bondholders") hereby

(i) authorizes the Trustee to enter into a standard agreement in the form of the draft produced to the Meeting and for the purposes of Identific

is authorized the Trustee to enter into a standard agreement in the form of the draft produced to the Bondholders (the "Standard Agreement") pursuant to which the Bondholders, the Trustee and the Trustee shell consider not materially projected to the Bondholders, (the "Standard Agreement") pursuant to which the Bondholders, the Trustee and the Company agree that, as part of the Company's process of nestructuring of its credit facility, and current debt and arranging for a new working capital tectity.

(I) any payments of phrhopal, interest, panalty or other fees and payments (the "Obligations") which have become due or will become due during the period from 11 December 1998, the date of the Meeting, for such latter date as the Estrandardary Resolution shell be passed to 31 December 1999 or, in the event the That barries party to the Credit Facility Agreement dated 20 April 1990 with the Company agree to extend the standard pender relating thereto to 31 March 1999 or thereafter and the Company delivers to the Trustee a copy of the agreement that provides such extension, 31 March 1998 (the "Estension Pender") in respect to the Sonda shall be delented until the termination of the Extension Provide such extension, 31 March 1998 (the "Estension Pender") in respect to the Obligations, or exercise its rights under the delastili provisions of the Bonds with be deemed to have been extended so that it malares on the last day of the Estension Pender.

(It) in the duration of the Extension Period, a temporary water shall be granted with respect to any past or substaining test at the date hereoff or continuing breaches or delastic by the Bonds of the Bonds of the Bonds of the Bonds of the December 2 copy of any sestmethyle past and any amendment thereoff is the date hereoff) or sontinuing breaches or the bonds on the search of the Bonds on the December 2 copy of any sestmethyle party of the Bonds of the bonds

business operations.

(4) In the event of breach of any material terms and conditions of the Standstill Agreement by the Company, the Trustee and the Bondholders shall be entitled to inhate or proceed with enforcement of their respective rights undor the Bonds and the Trust Deed against the Company;

(5) the Trustee and the Bondholders shall not be precluded from exercising any of their respective rights under the terms and conditions of the Bonds and the Trust Deed or under applicable laws upon the expiration of the Estension Pennot.

The terms and conditions of the Bonds and the Company and Allege and the Response and applicable part laws to the Response and the Response and

or under applicable laws upon the exprasion of the Extension Penod, mail and confidence of the Benda and the Truct Deced shall remain in full force and effect in all respects as expressly stated in the Ste he exprasion of the Extension Penod, the Standstill Agreement shall be considered to be part of the terms and conditions of the Bo the foregoing terms and conditions of the Standstill Agreement shall be considered to be part of the terms and conditions of the Bonds; and the foregoing terms and conditions of the Standstill Agreement as approved and sanctioned by the passing of the Estraordinary Resolution shall become close by the first ordinary Resolution shall be passed provided that substantially all other creditors of the town. Other than small trade creditors, have agreed similar Standstill Agreement to street the terms and conditions outlined in the time into the Standstill Agreement to effect the terms and conditions outlined in (a) above, we are the Estraordinary Resolution.

In an effort to develop and implement a restructuring refreacing plan, N.T.S. Steel Group Public Company Limited (the "Company") has recently engaged McCompany Securities Inc., ("McComald") as its financial advisor McComald is currently conducting its developing and its developing a comprehensive final and bondholders grant a grace period to the Company or requesting that all kindows, notifications and bondholders grant a grace period to the Company for all outside dust and bondholders grant a grace period to the Company for all outside dust and bondholders.

The Company has accordingly convened a Meeting of the Bondholders by the above Nobce for the purposes set out in this Noble in accordance with normal practice, the Trustee expresses no opinion on the ments of the Extraordinary Resolution.

Copies of the Trust Dead (including the Terms and Conditions of the Bondo) and the draft Standatif Agreement will be made available for map Appointment Instruction Forms, referred to below will be available for collection, by Bondholders at the specified offices of the Principal Agent, the Paying, Conversion and Transfer Appoints during normal business hours. s Nominees (Provincial) Limited ("Borolays") holds the Bonds as nominee for the Clearing Systems (described ballow) and has no bankal

WOTING AND GLIGHTER A holder of a Sond may, by executing and delivering a form of proxy in the English language to one of the offices specified below of the Principal Agent or the Paying Conversion and Transfel Agents not less than 24 hours before the time fixed for the Mosting, appoint a proxy. Conversion and transport agents not less than 24 hours become an amouster for the property of the Bond which is a corporation may by resolution in the English longuage of its directives or other governing body delivered to one of the effices specific below of the Principal Agent or the Paying. Conversion and Transfer Agents not less than 24 hours before the time fixed for the Meeting, appoint a person to act as representative in connection with the Meeting. Bandarys as registered holder of the Global Bond on bohalt of the Clearing Systems (as defined below) is the or Bandholder for the purposes of paragraphs I and 2.

3. Those who hold their infarests in Bonds through Codel Bank, sociáté ananyme or Morgan Gueranty Trast Company of New York as operation of the Enrodeer System (as Clearing System) and who wish to attend and vote at the Meeting should contact the relovant Clearing System to make arrangements to be appointed as proxy in respect of the Bonds in which they have an interest for the purpose of etherding and voting at the Meeting.

Those who hold their interests in Bonds through a Clearing System and who wish to vote at but do not wish to attend the Meeting should contact the relevant Clear System to creating for another person to be appointed as a proxy in respect of the Bonds in which they have an interest to extend and vote at the Meeting on the behalf or to make arrangements for the votes relating to the Bonds in which they have an interest to be cast on their behalf by the Principal Agent arrange as a pro

4. For the purposes described in paragraph 3 above, Proxy Appointment Instruction Forms are available for collection from the specified effices membered above which there is provision for directing the appointment of yourself, your nominee or an employee of the Principal Agent as Proxy in respect of the Bonds in which have an interest, and to direct the manner in which the votes are to be cast. Please note that no such instructions may be given, ellered or watergiven later than 48 hours before the time appointed for the Meeting or adjourned Mis Present from visit of source of the control of well-control and the control of th

Every question submitted to the Meeting will be decided on a show of hands unless a poli at duly dechanded by the Chairman of the Meeting, the Company or the Trustee or by one or more persons holding one or more Bonds or being provies or representatives and holding on representing in the aggregate not less than two per cent. Its principal amount of the Bonds for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or is a proxy or representative statil have one vote on vote. On a poll-every person who is so proxy one vote one vote in respect of each Bond of U.S. \$1,000 principal amount so confusional or in respect of each Bond of U.S. \$1,000 principal amount so

To be passed, the Extraorphasy Resolution requires a majority in favour contesting of not less than five-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whother or not present at the Marating and whether or not voting.

Trustee The Law Debenture Trust Corporation p.l.c. Princes House 95 Gresham Street London EC2V 7LY

Principal Agent Cathani, N.A. 5 Crimelde Street London EC4Y OPA

Cebank, N.A. 13th Floor 120 Wall Street

Asahi takes Super Dry back to its roots

Dy Alexandra Harray

Asahi Breweries, the Japanese brewer, will bring history full circle when it launches next month its Super Dry beer in Germany, the country that pioneered the modern brewing

The Japanese brewer. which launched Super Dry in China this year with great Y962.98bn, reflecting a slight turnover, from Y1,946bn to success, said the move was prompted by the globalisation of the culture of beer

It hopes to sell 16,000 cases in Germany next year, and will expand marketing to Austria and Switzerland soon afterwards through a tie-up with a subsidiary of Binding-Brauerei, a German brewing group.
Asahi markets its beers in

12 countries in Europe, including the UK and France, and the agree-ment will strengthen its dis-tribution network in the

initially, the beer will be brewed in Japan and shipped to Germany, but the company said it planned to make in the European market "very soon", most likely within the year.

Selling Japanese beer to Germans was like selling ice to Eskimos, Asahi admitted. We recognise that Gervery long tradition of beer drinking, and it may be very difficult to increase our sales in Europe," il

The group has dramatically expanded its market share over the past 10 years and domestic ahipments of Super Dry have increased every month for the past three vears.

So far this year, Asahi's beer sales have improved 9 per cent, in spite of a slump in the domestic market. In September, it controlled 42.6 per cent of the Japanese beer market, up 6.3 per cent from a year before.

The move reflects Japanese beer companies' recent enthusiasm for the German beer-drinking lifestyle. Themed beer halls serving traditional German food have flourished amid growing interest in European culture.

However, domestic beers still remain the most popular among Japanese

East Japan Railways posts 4% decline at interim stage

East Japan Railways. Japan's largest railway company, revealed that it had by the domestic economic terday when it reported a 4 could be explained by extraordinary losses. per cent fall in first-half pre- accounting changes in tax profits from Y61.48bn to response to revisions to Jap- ness railway groups, is Y59.03bn (\$483m).

The group said that recent changes in its management structure and bullet train operations hed contributed to the drop in profits. Sales were down by 1.2 per

decline in passenger vol- Y1,921bn. Pre-tax profits for umes, analysts said. Y1,921bn. Pre-tax profits for umes, analysts said. per cent to Y24bn, just below

expectations.

anese tax laws.

reserves as part of a move toward US accounting standards, he said.

The group expects a mod-

After-tax earnings slid 25 would improve fr 1 Y87.24bn to Y88bn on the back of a recovery in bullet Douglas Hayashi, industry train volumes, the group not been knocked off track analyst at HSBC Securities said. However, net profits in Tokyo, said most of the are expected to alip 9.2 per and financial problems yes- deterioration in earnings cant to Y45.6bn as a result of

JR East, like other Japaabsorbing the one-off costs of The group had also relised retirement allowances as the amount of severance part of its staff-cutting

The group announced it would maintain its Y2,500 dividend. Shares in JR East cent from Y974.37bn to erate decline in full-year closed unchanged at

21251C



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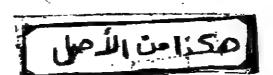
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Brierley Shanrod in talks

Who puts the theory into practice in equities trading?

n Railways posts

EVELTE CHILL

Id Accounting

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Strong third quarter at Commerzbank

Commerzbank, Germany's fourth largest bank, sur- Deutsche Bank reported a prised investors yesterday slide in third-quarter net with healthy third-quarter net profits that appeared to Bank announced an operatowe much to the sale of various undisclosed assets.

The bank said both net and pre-tax profit totalled DM387m (\$230m) in the June-September period, blunting Commerzbank's results Dresdner. Commerzbank the impact of financial crises in Russia and Asia. It expected better full-year results than in 1997.

The performance stands in contrast to those of its Ger- was not made public, but man rivals and appears to confirm that Commerzbank net income from financial up in this year's troubles in

profits to DM147m; Dresdner

ing loss of DM56.6m; and Bayerische HypoVereinsvisions of DM3.5bn. However, analysts said

would almost certainly have avoided bank called "income from the disposal of share stakes". The nature of these stakes Commerzbank said group Commerzbank was caught

other banks to the effects of per cent, from DM647m in terday it expected to risky investments.

per cent, from DM647m in terday it expected to increase its loan-loss provi-In the past two weeks, to DM713m in the same

period of this year. By contrast, trading profits fell 18.8 per cent from DM621m to DM504m, and nine-month pre-tax profit declined more than 15 per cent from DM2.2bn to almost DM1.87bn

Unlike Deutsche and been worse without what the Long-Term Capital Management, the US hedge fund saved from collapse in September by a \$3.5bn bail-out. However, like its rivals,

sions for the whole of 1998 to DM1.6bn. Its nine-month results reflect DM1.2bn of

in many developing countries, and the international Martin Rohlhaussen, Cons

Russia, which declared an effective debt moratorium complicated problems than Asian countries such as South Korea and Thailand. the edges of the Russian crisis and had been careful not in derivatives trading with

In Frankfurt, Commerz bank shares closed DM1 higher at DMSS.50. Traders said the market was looking at Commerzbank positively because of the cross-share with the Italian insurer, deal should enable it to offer products to a wider range of

Packer link-up

casino operator, yesterday ejected an offer by Kerry Packer, the Australian businessman, to inject A\$425m (US\$265m) into the debtridden company in return for half of its profits, reports Renders in Malbourne

Mr Packer's Consolidated Press Holdines proposed the icint venture in September but last month said a deal would go ahead only if the state of Victoria lowered tax rates on Crown's gaming tions on its business. Lloyd Williams, Crown

chairman, said the board rejected the plan because it did not want to give what was effectively a "free ing a decision by the state gaming authority on changing Crown's licence terms.

rates, more freedom to choose the mix of gaming tables and slot machines and a longer licence period. Gaming Authority is expected to make a decision



Crown, which has debts of to decide within 12 months A\$1bn, was last year hit by a on an alternative way of sharp drop in turnover from Asian gamblers. It reported a net loss of A\$350m, including asset write-downs for the posted a A\$8m net profit for the first quarter of this year. Mr Williams said the

raising new capital.

"This is fundamentally a good business with a bad balance sheet. They don't need the A\$425m," said a

Sydney gaming analyst. Crown's shares ended the oard would probably have

Saudi prince buys into Nigerian bank

Prince Al Waleed Bin Talal Bin Abdulaziz Al Saud, the Saudi Arabian investor five-year period that could several international companies, yesterday signalled his investments in Euro Disney first direct move into Nigeria under 10 per cent in United Bank for Africa, the country's third largest bank.

months after he said he planned to make significant investments in Africa over a

amount to \$1bn. The prince, who has made and CitiCorp, bought the Holdings, his private company that was the vehicle for

disclosed. He hought the stake from Banque Nationale de Paris, which decided to sell its 30.7

per cent holding in the Nigerian bank as part of a policy to sell off investments in companies in which it stake through Kingdom does not have a controlling

The acquisition makes the other international invest- prince one of the two biggest

Africa, which was privatised in 1994. However, he will have no management

holding through a Global Depositary Receipt proby Afrinvest, the Londonbased investment banking

of the stock was bought by emerging market funds and financial institutions from director of United Bank for Africa, said; "Our new investors give the bank Nigeria as things begin to

Focusing on family origins helps boost* earnings at CIR

By concentrating on core businesses Cir has eliminated debt, writes Paul Betts

bere is, it would seem. life after Olivetti for Mr De Benedetti. Carlo De Benedetti's

family controlled holding After divesting its large stake in Olivetti, the Italian information technology and telecommunications group at the heart of Mr De Benedetti's empire for almost two decades, and its interest in

Valee, the French car components company. Cir has reverted to its family com-DEDY OFICINS. The past two years have been a period of intensive refocusing on its three businesses: publishing, components and industrial machinery. Debt has been

been simplified with the pur- activities," says pose of returning Cir to profit and releasing value for

The group last week reported a sharp rise in ninemonth pre-tax profits to L297.8bn (\$179m), from L3bn in the same period last year. This included special gains totalling L228.8bn from the sale this year of its Sasib Railway subsidiary to GEC Alsthom and the disposal of its remaining stake in Olivetti; without these, pre-tax

earnings totailed Lasbn. And, with the recent partnership agreement with BAA, the UK group that is the world's largest private airport operator, Mr De Benedetti and his son Rodolfo, Cir chief executive, has put the group back on the acquisition trail.

The joint venture with

BAA was formed to take privatisation of Italian airports. The Treasury is due to sell its remaining 55 per cent stake in Aeroporti di Roma. Milan authorities are also expected to privatise the city's new Malpensa airport and the old Linate airport. Other regional airports are also likely to be privatised. Naples is already controlled and managed by BAA. But the decision to bid for

Italian airports business marks a change in Cir's investment approach. "As a family controlled group, we prefer not to get involved too much in global businesses, which we feel are best left to very large companies," explains Rodolfo De Bene-

very well for large companies, providing them with long-term growth opportunities. However, it opens them smaller companies, which their global requirements, Cir felt airport privatisa. That meant Cir would a tion in Italy offered an have to pay not only the 1998

"Airports are a high cashgenerating business, and by the public hand and man- of about L1,450.

age it more efficiently," says However, Cir is expected

to face intense competition from other private compachetti Provera, chairman the Pirelli tyre and cables group, have joined forces to bid in the forthcoming airport privatisations. Other Italian entrepreneurs, such as fashion designer Nicola Trussardi, are also planning to enter the fray.

Although Cir feels it is in a strong position with BAA, eliminated and the chain of lots of other opportunities to control within the group has compete in local service

đetti. While seeking investment opportunities. Cir has also been busy buying back nonvoting savings shares, Since January, it has spent more than L100bn buying back 70m savings shares. Later

'As a family controlled group, we prefer not to get involved too much in global businesses, which we feel are best left to very large companies'

approval to cancel these shares to reduce its capital, following shareholder approval last week.

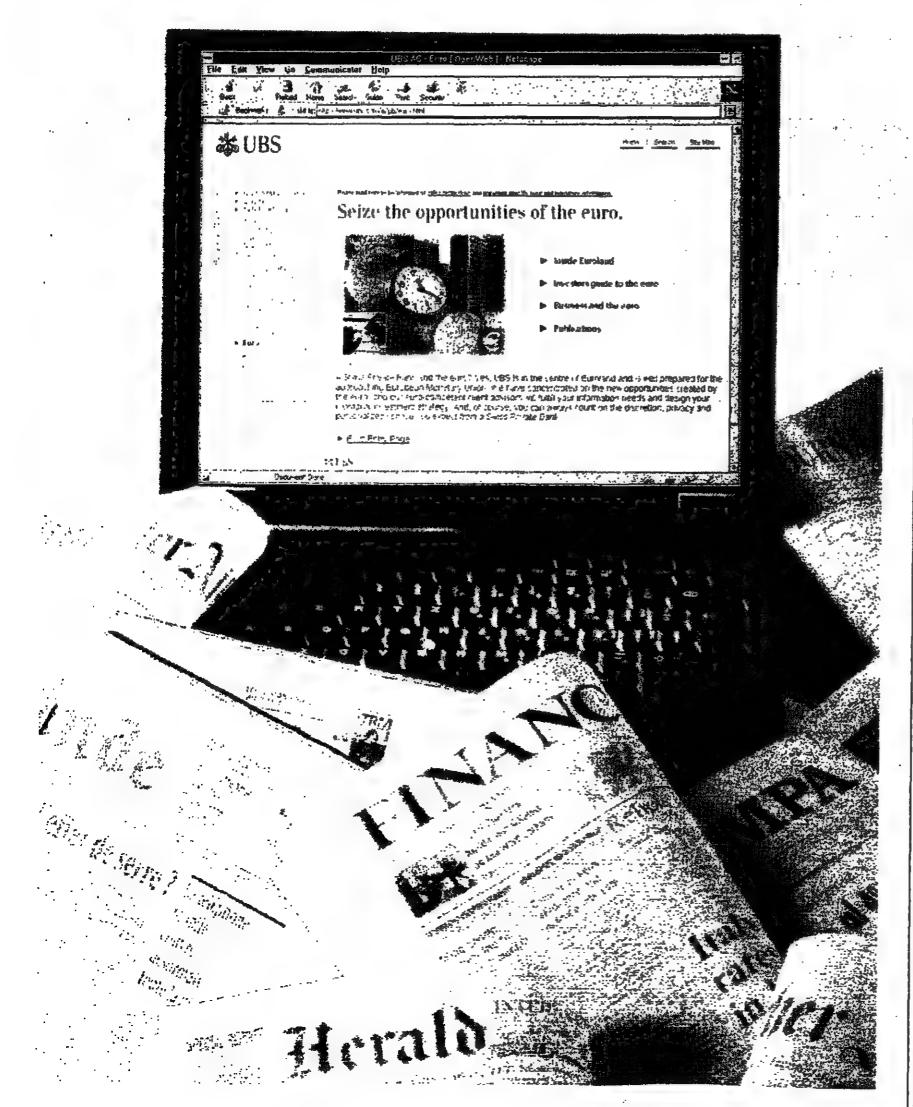
If the court approves the capital reduction, Mr De Benedetti believes Cir could set an important precedent for other Italian companie to buy back and cancel their savings shares. This form of equity - which offers inves-tors a higher dividend yield but no voting rights - has become an increasing burden for Italian companies at a time of historically low Italian interest rates.

CIR's voting shares carry a 5 per cent dividend on their L1.000 nominal value (or 1.50 The younger Mr De Bene-a share), compared with cur-detti says globalisation is all rent Treasury bond yields of rent Treasury bond yields of under 4 per cent.

For the past four loss-making years, Cir has not paid any dividends - but, accordto risks out of their control ing to Mr De Benedetti, the and harder to manage for restructuring, refocusing and return to profit has crelack the resources to fund ated the conditions to start paying a dividend for 1998.

opportunity to invest in a dividend on savings shares local business in which it but also, under Italian legiscould provide added value. lation, the dividends it omitted on these shares during the past two years - a total what attracted us was the of L150 a share and an 11 per opportunity to get our hands cent yield on the savings on an asset previously run shares current market price

A fast and easy way to obtain euroinformation is just a mouse click away:



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-ocusing on family

CGU aided by rises in life and savings units

By Andrew Bolger

some relief to the beleaguered insurance sector yesterday by reporting stronger than expected growth in its competition reduced profits life and savings businesses.

June from the merger of in the same period last year. Commercial Union and Gen- The underwriting loss of eral Accident - confirmed it £581m represented 9 per cent was facing adverse trading of premiums, compared with conditions in the general insurance market.

Alliance, a rival composite, alarmed the market when it in the fourth quarter results. reported unexpectedly high underwriting losses, particu-larly in the commercial property market. Yesterday CGU's shares rose 36p to 929p and RSA's recovered

CGU's pre-tax operating profit in the nine months to September fell from £746m to £435m (\$722m), before merger integration costs of

Bob Scott, chief executive, said: "There was a strong performance from our sub-

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stantial life and savings businesses . . . although CGU, the UK's largest group results were affected composite insurer, brought by difficult trading conditions in general insurance."

A £134m increase in severe weather claims and price from general insurance to However, CGU - formed in £237m, compared with £592m 4 per cent last year. Claims from the October storms in Last week Royal & Sun the UK are estimated to be £25m. which will be included Mr Scott said: "Premium

> ity are being implemented, especially in the UK." CGU's life and savings business which accounted for some 46 per cent of the group's sales, made strong progress. Life profits of £840m were 16 per cent

rate increases and other

actions to improve profitabil-

Net assets per ordinary share at September 30 were 629p, compared with 609p in December 1997.

(871) (227) (5.35) (5.35) (5.35) (75.1) (75.1) (75.1) (75.2) (386.2) (386.3) (11.6) (6.49) (22.2) (7.763) (93.9) (93.9) (10.4)

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(114♥) (2.08) (44.♥) (1,116♥) (0.841) (1,314) (22.4) (22.4) (24.1) (18.5.♦) (6.1) (0.1041)

(514) (7.3)

Emings whom beets. Dividends shown not. Figures in brackets are for optresponding period. AARs: exceptional charge. VAtes exceptional credit. †On a BAIM slock. AExcludes 10p special: in Comparatives for 14 miles to June 30 1997. In Comparatives restated. It is comparatives by formal. It is comparative of comparatives of miles to Sept 30 1997. Accomparative capital.

PHARMACEUTICALS CASH CALL SHOWS UP PROBLEMS IN BIOTECHNOLOGY SECTOR

Hefty discount for PPL rights

Pepsi woos Cadbury franchisee

PPL Therapeutics, the company famous for cloning Dolly the sheep, yesterday provided an illustration of the problems besetting both the new issues market and the quoted UK biotechnology sector with a rights issue priced at a 33 per cent dis-

The Edinburgh-based company said it was raising \$20.4m (\$33.9m) net through a 6-for-5 rights issue of 27.01m shares at 80p. This compares with a share price

Cadbury Schweppes, the

confectionery and beverages group, has hit a problem in

its plan to create a nation-

wide bottling operation to distribute its soft drinks in

one of the biggest franchises,

covering the lucrative Texas

and Southern California

markets, is being wooed by

Cadbury's plan involves

the US,

(8.4) (5.6) (12.22) (1.9L) (1.2L) (1.2L) (1.5L) (6.6) (1.7.4)

4.51 (3.32) 1.13L (2.19L) 1.1 (0.8) 4.17†† (6.19)

of 120p on Tuesday and with all but dried up in recent floated at 450p. Yesterday. the shares fell 71/2p to 1121/2p, an all-time low.

"This is a very hefty dis-

count indeed and highly

dilutive", said Nick Woolf at BancBoston Robertson Stephens. "The company is a victim of the weakness we've seen in the sector in the past 18 months. It was pushed into a tight corner because the market knew it had to

The new issues market has

franchises for Cadbury's

Dr Pepper/Seven Up brands so as to create a US dis-

tributor able to compete

with Coca-Cola and Pepsi-

But Mr Turner has been

'PepsiCo's chief executive, to

head its new bottling opera-

tion, due to be floated off

tles more than 10 per cent of

Mr Turner's company bot-

Cola.

next year.

Jim Turner, the owner of asked by Roger Enrico,

a high of 487p two years ago, weeks because of the turmoil pointed out that PPL, one of shortly after the company in international financial the best known companies in markets while valuations in the sector, had achieved its the biotechnology sector targets and had not encounhave dropped in the wake of tered the management and the British Biotech affair. other problems TAb had. Although the sector has begun to recover in the past month, shares in PPL had

> was imminent. The move follows a \$7.5m placing by Therapeutic Antibodies, another UK biotechnology company, at a discount of 58 per cent, two

merging dozens of smaller Cadbury's US volumes, create its own "route to marbottlers with regional including the flagship Dr ket",

was invented,

Pepsi bottlers.

Pepper in Texas where it

More than 40 per cent of

Dr Pepper/Seven Up drinks

are distributed by indepen-

dent bottling companies

such as Mr Turner's, with the rest handled by Coke or

With fears about the

future of contracts with

Coke and Pepsi bottlers.

Cadbury has started to con-

solidate the independents to

continued to drift because

the market knew a cash call

Ron James. PPL's managing director, said the company - which clones animals and changes their genes so that human proteins appear in their milk - had considered delaying the issue but could see no benefit in doing

written by BT Alex Brown.

This year, it was behind

bottlers to form American

Bottling Company which handles 12 per cent of its vol-

umes. Cadbury paid \$120m

for a 40 per cent slake in

if PepsiCo succeeds in

recruiting Mr Turner, one of

Cadbury's most important

franchises could be con-

trolled by one of its chief

COMMENT

CGU

Royal & Sun Alliance, CGU, the UK insurer, carned a pat on the back simply for being no worse than expected. But in truth, the newly merged group offered cold comfort on the general insurance side. Nine-month underwriting losses more than doubled to 2581m, evidence of excess capital being squandered on unprofitable business. It takes time to stop that rot. and the economic slowdown in the UK and North America will ensure that consumers continue to shop around. The

main hope is that the stron ger management teams now in charge of combined groups such as Bob Scott's at CGU, will impose pricing discipline CGU says it has pushed motor rates up 8 per cent, for instance. But this is not pain-free: it has lost 5 per cent of its customers. On the claims side, the weakening economic outlook is ominous, it may also drain some impetus out of the life and savings market. So, after a forecast drop of 40 per cent in operating profits to about 2550m this year, CGU's best hope for recovery in 1999 lies in cost savings. If it can rake in close to £150m - out of the £270m eventually promised - this would be good going.

While the equity market recovery has eased concern about asset values, the risk remains that this bounce-back is short-lived. This means that those insurers with restructuring gains up their sleeves - such as CGU, Allied Zurich and

Cable & Wireless

The trips to Milan were fun, but the shopping too leisurely for the restless Richard Brown of Cable & Wireless. Telecom Italia, consumed with its internal wranglings, is not best placed now to further C&W's ambitions in continental Europe. C&W's losses in these tough markets go back as far as most analysts' models. But it may yet have the last laugh, if in its next foray the company avoids getting entangled in a loose alliance between big operators.

A sharper plan may be to emulate Colt's success with the corporate market. Yesterday's results showed C&W gradually - and successfully - weaning itself off its over-reliance on Hong Kong. Its US strategy has gained much needed credibility with its Internet acquisition. Its UK businesses are improving. All eyes are on C&W's European progress.

British Energy seeks purchases

ABC.

By Andrew Taylor

British Energy, the nuclear bought London for £1.3bm in generator battling with 1996, is understood to be Electricité de France to buy London Electricity, is also on the prowl to buy coalfired power stations in the UK and more nuclear plant in the US.

The British group, which said that the group had no yesterday reported better than expected half-year profits, said that it was determined to buy a UK regional electricity supplier. It declined, however, to confirm that it had bid about months to September 30, 22bn (\$3.3bn) for London Electricity.

Electricité de France is understood to have made a dipped from £114m to £97m. | per cent four years ago. ing the half.

similar cash offer. Entergy, the US group that

holding off in the hope that one of the two groups will break the deadlock and make a higher offer. Peter Hollins, British

Energy's chief executive, gearing and could easily finance acquisitions in the UK and US from borrowings. Profits before exceptional operating credits rose from 24m to 246m during the six

in the shares to 630p. Pre-tax profits, however, cent of the total, against 30

C&W static at £1bn

Cable and Wireless, the UK's HKT, in which it has a cations group, has reduced its dependence on overseas subsidiaries, especially Hongkong Telecom, for revenues and profits, writes

Results for the six months to September 30 showed revprompting a further 37p rise | enues outside Hong Kong now represent almost 70 per

second largest telecommuni- majority stake, used to account for virtually ali C&W's income; now the proportion is down to 56 per cent of operating profits. Pre-tax profit in the six

months was £1.12bp same as last time. Turnover, including share of joint yentures, was £4,34bn (£3,9bn). C&W invested £2.3bn dur-

NOTICE OF MEETING TO BONDHOLDERS

NOTICE

to the holders of the outstanding U.S.\$100,000,000 7% Guaranteed Convertible Bonds Due 2004 (the 'Bonds') of Samancor Overseas Financing Company Limited quaranteed by Samancor Limited

This notice is published in connection with proposals made by Samencor Overseas Financing Company Limited ("SOFC") and Samancor Limited ("Samancor") to amend the terms of the above Bonds.

Billiton Pic ("Billiton") and Angle American Corporation of South Africa Limited ("AAC") have agreed to enter into a joint venture in the chrome and manganese businesses. As part of this agreement, Billiton and its subsidiaries the "Billiton Group") and AAC and certain of its subsidiaries (the "AAC Group") propose to acquire those ordinary shares of Samancor not owned by them. Accordingly, they have proposed a scheme of arrangement in terms of Section 311 of the South African Companies Act, 1973 (Act 61 of 1973) as amended, between Samancor and its ordinary shareholders (other than the AAC and Billiton Groups) to acquire those ordinary shares in Samancor not already owned by them (the "Scheme"). Full details of the Scheme are contained in the circular to Samancor shareholders, dated 12 November 1998 (the "Circular"), copies of which may be obtained from Billiton Pic at 1-3 Strand, London WC2N 5HA.

In view of the proposed Scheme, which, if implemented, will result in the ordinary shares of Samancor ceasing to be listed on the Johannesburg Stock Exchange, SOFC and Samancor hereby propose to the holders of the Bonds (the "Bondholders") that the terms of the Bonds be amended to allow their early redemption by SOFC at the principal amount of the Bonds, together with Interest accrued thereon up to the date of such redemption. Subject to the Extraordinary Resolution set out in the Notice of Meeting below being passed, it is expected that the Bonds will be redeemed not later than 29 January 1999. The Circular Includes the text of a letter from Investec Bank Limited ("Invested") to the directors of Samancor confirming that as at 2 November 1998 invested considered the terms of the redemption fair and reasonable to the Bondholders.

The Meeting of Bondholders will be held on 4 December 1998 and, if a quorum is not then present, the adjourned Meeting will be held on 18 December 1998 at which an Extraordinary Resolution will be proposed to sanction the proposals. If passed, the Extraordinary Resolution will be binding on all Bondholders and all holders of the coupons relating to the Bonds whether or not present at the relevant Meeting or voting on the Resolution.

SOFC and Samancor expect that a Bondholder holding Bonds with an aggregate principal amount of U.S.\$72,210,000 will exercise the voting rights attaching to such Bonds at the Meeting to vote in favour of the Extraordinary Resolution.

NOTICE OF BONDHOLDERS' MEETING

Notice is hereby given to the holders (the "Bondholders") of the outstanding U.S.\$100,000,000 7% Guaranteed Convertible Bonds Due 2004 (the "Bonds") of Samancor Overseas Financing Company Limited ("SOFC"), a wholly owned subsidiary of Samancor Limited ("Samancor"), guaranteed by Samancor and which are constituted by the Trust Deed referred to below that a Meeting of the Bondholders will be held at the offices of Linklaters & Paines, One Silk Street, London EC2Y 8HQ on Friday, 4 December 1998 at 10 a.m. (London time) for the purposes of considering and, if thought fit, passing the following Extraordinary Resolution:

That this Meeting of the holders (the "Bondholders") of the outstanding U.S.\$100,000,000 7% Guaranteed Convertible Bonds Due 2004 (the "Bonds") of Samancor Overseas Financing Company Limited ("SOFC"), a wholly owned subsidiary of Samancor Limited ("Samancor"), guaranteed by Samancor which are constituted by the Trust Deed dated 17 November 1994 (the "Trust Deed") made between SOFC, Samancor and Bankers Trustee Company Limited (the "Trustee"), as trustee for the Bondholders, hereby: (1) assents to the modification of the Terms and Conditions of the Bonds as printed on the reverse of them and in

Schedule 2 to the Trust Deed so that a new condition 7(g) is added after condition 7(f) as follows: "(g) Early Redemption at the option of the Issuer

At any time following the passing of an Extraordinary Resolution at a Meeting of Bondholders on 4 December 1998 (or at any adjournment thereof), the issuer may, on giving not less than 30 nor more than 60 days' notice to the Trustee and the Bondholders in accordance with Condition 18, redeem all (but not some only) of the Bonds outstanding (including, for this purpose, all Bonds purchased by the Guarantor or any subsidiary of the Guarantor (other than the Issuer) and not already cancelled on the date on which the Redemption Notice is given) at their principal amount, together, in each case, with interest accrued to the Redemption Date. Conversion Rights may not be exercised between the date on which the Extraordinary Resolution referred to above is passed and the date on which the Bonds are redeemed in accordance with this condition 7(g).";

(2) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the coupons relating to the Bonds against SOFC involved in or resulting from the modification referred to in paragraph 1 of this Resolution;

(3) authorises and requires the Guarantor to concur in the modification referred to in paragraph 1 of this Resolution; and

(4) authorises and requires the Trustee to concur in the modification referred to in paragraph 1 of this Resolution and, in order to give effect to it, forthwith to execute a Supplemental Trust Deed with such amendments to it as are required to give effect to this Resolution."

The attention of the Bondholders is particularly drawn to the quorum requirements set out in "Voting and Quorum" below. Copies of the Trust Deed (Including the Terms and Conditions of the Bonds) are available for inspection at the

offices of the Paying and Conversion Agents specified below. In accordance with normal practice, the Trustee expresses no opinion on the merits of the proposed modifications

but has authorised it to be stated that he has no objection to the Extraordinary Resolution being submitted to the Bondholden for their consideration.

Voting and Quorum

(1) A Bondholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Bond(s), or a valid voting certificate or valid voting certificates issued by a Paying and Conversion Agent relating to the Bond(s) in respect of which he wishes to vote. A Bondholder not wishing to attend and vote at the Meeting in person may either deliver his Bond(s) or voting

certificate(s) to the person whom he wishes to attend on his behalf or give voting instructions (on a voting Instruction form obtainable from the offices of the Paying and Conversion Agents specified below) instructing a Paying and Conversion Agent to appoint a proxy to attend and vote at the Meeting in accordance with his Bonds may be deposited at any Paying and Conversion Agent or (to the satisfaction of such Paying and

Conversion Agent) held to its order or under its control by Cedel or Euroclear or any other person approved by it, not later than 48 hours before the time appointed for holding the Meeting (or, if applicable, any adjournment of such Meeting), for the purposes of obtaining voting certificates or giving voting instructions in respect of the Meeting. Bonds so deposited or held will not be released until the first to occur of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of such voling certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the voting instruction receipt(s) issued in respect thereof. (2) The quorum required at the Meeting is one or more present in person holding Bonds or voting certificates or

being proxies and holding or representing in aggregate not less than two-thirds in principal amount of the Bonds for the time being outstanding (as defined in the Trust Deed). If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) from the time appointed for the Meeting a quorum is not present the Meeting shall stand adjourned to the same time and place on 18 December 1998. At such adjourned Meeting the quorum shall be one or more present in person holding Bonds or voting certificates or being proxies and holding or representing in aggregate not less than one-third in principal amount of the Bonds for the time being outstanding.

Every Resolution submitted to the Meeting shall be decided by a show of hands unless a poll is duly demanded by the Chairman of the Meeting, or SOFC, or Samancor, or the Trustee or by one or more persons holding one or more Bonds or voting certificates or being proxies (whatever the principal amount held or represented by him). On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is present will have one vote in respect of each U.S.\$1 (or any such amount as the Trustee shall stipulate) in principal amount of Bonds so produced or represented by the voting certificates so produced or in respect of which he is a proxy. In the case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Bondholder or as a holder of a voting certificate or as a proxy or representative.

(4) To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than threequarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Bondholders, whether or not present at such Meeting, and upon all the holders of the Coupons appertaining to the Bonds. Samancor Overseas Financing Company Limited

12 November 1998

Paying and Conversion Agents

Bankers Trust Company, 1 Appoid Street, Broadgate, London, EC2A 2HE. Bankers Trust Luxembourg S.A., 14 boulevard F.D. Roosevelt, L-2450 Luxembourg.

SOFC is a company incorporated under the laws of the British Virgin Islands, whose registered office is at P.O. Box 3149, Pasea Estate, Road Town, Tortola, British Virgin Islands.

Samancor is a company incorporated under the laws of the Republic of South Africa, whose registered office is at Samancor House, 88 Marshall Street, Johannesburg 2001, Republic of South Africa. And the second s

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Shares regain on the swings most of what they had lost on the big slide

that bad news was already priced into shares and that

Philip Coggan looks at the stock market sectors that have been showing renewed signs of life after the July-October correction

1,000 points in a month since then. before the burst of profittaking last week, took many analysts by surprise.

of October, shares looked marked down heavily on cheaper relative to bonds fears that the Hong Kong than at any time for a gener-

Nevertheless, profits fore-casts for 1999 still look too stave off that prospect and high and even while the overall market has been rising, trading sessions have local stock market to leap been punctuated with ahead. Standard Chartered of companies, including blue they failed to regain their chips such as Marks and Spencer and Shell, that have failed to match expectations.

One of the themes of the rebound has been that some of the stocks that were most hattered in the July-October correction have been able to regain a lot of the lost

Leading the rally has been the banking sector, which and that the company was had been marked down in exposed to Long-Term Capithe face of its exposure to hedge funds and Russia, and because of fears that a UK recession would prompt a surge in bad debts. Having dropped 35.5 per cent

The rally in the UK mar- between July 20 and October tor along, of course, has ket, which saw the FTSE 5, the retail banking sector been the decision of the

At the forefront have been the two banks with strong Asian links, Standard Char-It is true that, at the start tered and HSBC, which were government would be forced to devalue its currency. A has allowed interest rates to fall in Hong Kong and the shares were 80 per cent ahead at one point, although

> July level. Another group that suffered heavily in the correction was Amvescap, the only fund management company in the FTSE 100. Its shares were hit by fears that the US would provoke redemptions by mutual fund holders exposed to Long-Term Capital Management, the troubled hedge fund. A reassuring results statement has helped the shares to rally

quarter-point in early Octo-

point reduction last week. The loosening of monetary policy has also given a lift to the cyclical sectors, which

on a price-earnings ratio of ber and then the second half- just 12 and a dividend yield of 5.7 per cent. 1 percentage point more than 10-year

had been marked down 24.9 per cent since then and

The Bank of England's loosening of monetary policy has given a lift to the cyclical sectors, which had been marked down heavily on fears of a deep UK and worldwide recession

TIK and worldwide recession. Many economists are still see a decline in output next year, and are dubious about the government's 1-1.5 per cent growth forecast. But the action taken by the Bank of England, and other central banks such as the US Federal Reserve, at least

The resurgence of cyclical

sectors, such as engineering and building materials, had

The third group of stocks which have been in the vanguard of the rally are the nies and in particular Colt, up 70.9 per cent since Octo-ber 5. While Colt is not means the authorities are expected to be profitable - particularly in terms of

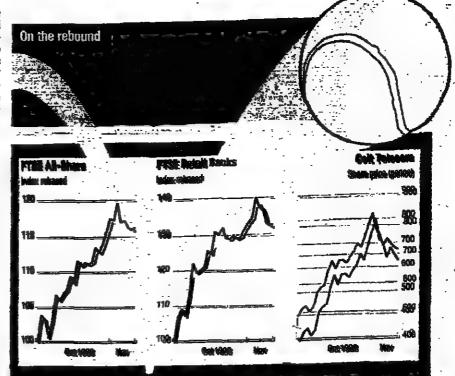
stocks may also have owed sales - were much something to the recognition than expected.

companies, Vodafone and bargains might have been on Orange, seem to offer a busihas jumped 32.1 per cent Bank of England to cut offer. By October 5, the ness that is fairly certain to since then.

Bank of England to cut offer. By October 5, the ness that is fairly certain to interest rates, first by a chemicals sector was trading deliver above-average growth for the next few years, whatever the economic climate. At a time when so much in the investment world seems uncertain. investors are willing to pay

up for surelire growth. good news for investors. A stream of gloomy reports from the retail sector, including this week's British Retail Consortium survey, indicates that the high street is now suffering some of the pain previously confined to the manufacturing sector. Six of the 13 Footsie stocks to fall in price since October are retail groups. And the corollary of the

turnround in markets is that the stocks that held up best during the correction have started to underperform. The utilities sector gained 1.6 per cent during the bear phase but only 1.3 per cent during the rally, and contributes five of the 13 Pootsie fallers. The regulators' unfavourable review of the water industry made it the worst single sec-The turn of the utilities



ers believe that the rally has owed much to a "bear that were short of stock

have desperately tried to close out their positions, thereby forcing share prices

slipping back of the FTSE 100 in the past few days may be a sign that the end has

IN A DIFFICULT MARKET, WE MADE IT LOOK EASY.

This announcement is neither an offer to sell nor a solicitation of an offer to buy any of these securities. The offering is made only by the Prospectus Supplement and the related Prospectus.

\$4,800,000,000



Associates Corporation . of North America

\$2,300,000,000

5.75% Senior Notes due 2003 Interest payable May 1 and November 1

Price 99.961%

Plus accrued interest, if any, from October 30, 1998

\$1,500,000,000

6.25% Senior Notes due 2008

Interest payable May 1 and November 1

Price 99.735% Plus accrued interest, if any, from October 30, 1998

\$1,000,000,000

6.95% Senior Debentures due 2018

Price 99.412%

Plus accrued interest, if any, from October 30, 1998

Copies of the Prospectus Supplement and the related Prospectus may be obtained in any Jurisdiction in which this announcement is circulated from only such of the Underwriters, including the undersigned, as may lawfully offer these securities in such Jurisdiction.

Joint Book Managers

Bear, Stearns & Co. Inc.

Merrill Lynch & Co.

Warburg Dillon Read LLC

Chase Securities Inc. Lehman Brothers

Morgan Stanley Dean Witter Salomon Smith Barney

ABN AMRO Incorporated

Deutsche Bank

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November 12, 1998

75 YEARS of CLIENT SERVICE, INNOVATION & PERFORMANCE.

Vultures block deal for Barings bondholders

Barings bondholders face a payment, after US vulture funds which had bought the tressed prices voted yesterday to block a compromise

The scheme for partial payment of £190m (\$315m) worth of Barings bonds and an end to litigation had been worked out in two years of negotiations conducted by the City Disputes Panel.

Its failure raises the prospect of years of litigation, between bondholders, two leading accountancy firms which audited Barings and its Singapore subsidiary, and ING Group, the Dutch financial services company which bought Barings in 1995 from the wreckage caused by Nick

ing rate notes issued by Bar- this was their best offer. ings in 1986 rejected the settlement by 55 per cent to 45 per cent at yesterday's meetaccepting payment of 60 per

cent of the nominal value of

They hope instead to win long and uncertain wait for more through legal action, since their securities have a collapsed UK investment Barings liquidation than the bank's securities at dis- £100m of perpetual notes issued in 1994 that were to be paid 23.6 per cent of nomi nal value. Wilbur Ross of Rothschild

inc, the investment bank advising the vulture funds, said the vote should end any doubt about his clients determination. The amou of money on offer was to small - a "substantial modification" was needed - and the distribution was unfair to FRN holders.

Coopers & Lybrand, audi-tors of Barings and of its Singapore subsidiary BFS in 1994, and Deloitte & Touche. BFS's auditor in 1993, had together contributed £38m settlement, and are firm that

Touche Singapore, said: ing, the fourth and final "Opportunists seeking a attempt. The vulture investors – the Scoggin and Haly-con funds, and funds man-all the parties, including the aged by Franklin Mutual nearly unanimous support of Advisers - decided against the creditors who suffered the Barings loss."

Cassa di Risparmio di Verona Vicenza Belluno e Ancona U.S.\$100,000,000 Floating Rate Deposi Receipts Due 1999 oli be US\$144.43 in a CITIBANCO

LEGAL NOTICES

NOTICE IS HEREBY GIVEN in accurates with metion 175 of the Companies Act 1985 that on the 6st.

10年,新日本年代,1000年,1



Vultures block deal for Barings

e big slide

bondholders

CHARLY O

them fast enough and you will not aurvive. Manufacturers and retailers send their design staff around the world to find out what is on the catwalks, at the trade fairs and in the shop windows, and many companies spend thousands of pounds annually on forecasting services. Rag trade desperados have resorted to theft as the quickest way to preview a big-name designer's latest creations.

that will be next winter's

look - fall to find out about

Using IT to speed the flow of knowledge seems an obvious move. But until the launch of the Worth Global Style Network, founded earther this year by Marc and Julian Worth, two brothers Nottingham, one had attempted it in earnest.

of 90 per cent among fashion offered it, the network is becoming an important tool

Within its 135,000 pages of information, Worth offers complete photographic on travel, but it could save records and videos of us a lot on sourcing catwalk shows; city-by-city fabrics and technical What's in Store reports; services." detailed forecasting for all sectors including home style; . use the Worth bulletin board an events calendar listing for the same purposes and, shows, exhibitions and store openings; daily news and longer, discursive features.

Information is the Individual photographs ifeblood of the fashcan be enlarged and details highlighted, forecast colours ion industry. Your Italian rival's latest colleccan be checked using a coltion, what the coolest kids our marker system known as are wearing in Manhattan, Pantone numbers, and the twinkle in Galliano's eye everything can be printed

about the latest trends, shows and suppliers worldwide and that

Jenny Benjamin trawis a database that provides information

Catwalk wakes up to

cutting edge cybertalk

also

starting with Japanese and

Chinese, then adding Italian,

Spanish and French. Finan-

cial information will

net site, but its graphics load

made it very slow, so it was

decided to offer daily satel-

lits broadcasting as a more

Worth installs the dish and

server, and connects them to

a system of dedicated moni-

tors. Flat screens that can be

wall-mounted, so as not to

crowd existing facilities, are

planned for the near future.

as is a change in the timing of the daily update.

from overnight to 2pm

The satellite service costs

25,500 a year for a single user, rising to £14,000 for a

five-seat licence. Internet

prices are, naturally,

After six months, takers

include Courtaulds, Sears,

Coats Vivelia, Marks and

Spencer, and the Arcadia

Group in the UK: Karstadt in

Germany; and Tommy Hilfi-

ger, Liz Claiborne, JC Pen-

To date, the project has cost \$5m (\$2.9m), all raised

privately. It employs 45

full-time staff in London, 23

in design, and the rest in

ited fashion or business jour-

nalists as well as its own The Worth brothers also

specialising in fashion

related graphics, and at first saw the internet as a means of publicising unsold

m the US.

rapid form of transmi

start appearing

INFORMATION TECHNOLOGY FASHION INDUSTRY

is becoming an indispensable tool

Reports on fashion's big four - New York, London, Paris and Milan updated monthly. Other

out and used in presenta-

to make this untechnical... fashion people are scared of

'We have tried

cities, such as Los Angele Tokyo or Stockholm, get a quarterly update.

For Cathy Bonner, design director at JAK Holdings, a UK garment manufacturer. Now, with customers in 30 ' the service with the most countries and a take-up rate potential is the international resource directory.

a dyeing house in Germany, or a sulting manufacturer in for all strata of the industry, Bavaria with very little trouble," she says. "When the city reports become more sophisticated, the network will probably save us a bit

Ms Bonner says she will service will go multilingual, was an IT novice only

have said to the designers: 'Create what would be useful to you, and we'll deliver it'."

That has perhaps been to the network's advantage: "We have tried to make this as untechnical as possible, because we know that in general, fashion people are scared of computers," he "We have not designed this for the internet. We



Carbon nanotube breakthrough paves way for flat screens

A breakthrough in carbon nanotube technology may accelerate development of televisions and computer monitors that are flat enough to be hung on the wall, announced in Science, the

Researchers at the University of Buffalo have found a way to grow perfectly aligned arrays of the tiny, elongated tubes of carbon on glass, at relatively

That may make it possible excellent electron-emission capabilities in flat panel displays. The nanotubes, emitters, could be as little

1mm from the screen, Past attempts to grow high temperatures and have tended to yield a jumbled mass of the tubes. The that their results were achieved by using ammonia rather than nitrogen, as a

Cancer research uses arsenic

goldbaum@buffalo.adu

Arsenic shows promise as treatment for a form of leukaemia, according to

7166452626;

China.

Scientists at the Memorial Sloan-Kettening Cancer Center in the US have investigated the impact of low doses of arsenic trioxide on cancer patients, following research findings announced by Chinese scientists two years ago.

A pilot study indicated that patients who were severely ill with acute promyelocytic leukaemia (APL), a potentially fatal type of cancer that affects blood and bone marrow, were brought into remission by report in the New England

The arsenic trioxide was abla to kill cancerous cells that cause APL including those that have become resistant to conventional continuing clinical trials on patients with APL They also

plan to explore arsenic's other forms of cancer. Memorial Sloan-Ketterin Cancer Center: tel 2126393573; http://

Pin-art provides moulding tool

University of Warwick in the UK have used the principle: behind the "pin-art" executive toy to make an industrial moulding tool. The pin-art device is a box holding an array of

moveable blunt pins. When Journal of Medicine. a shape - such as a human hand or face - is pushed against the pins they stick out on the other side of the box, forming a relief mould of raised pins. The Warwick

Manufacturing Group has adapted this idea to create reusable mould. The mould consists of a precise network of pins covered by a flexible plastic sheet. The pins can be manipulated to pull the sheet into the shape of any component that the company wishes to mould. When the process is complete, the pins and covening sheet can be reset to zero. Warwick Manufacturing Group, UK, tel (0)1203

Extra eye on the road ahead

523784: http://

www.wanvick.ac.uk/

Cars may one day carry computers that will automatically slam on the brakes in an emergency, says Daimler-Benz, it is developing a computerised a pedestrian stepped into the road, or the car was exceeding the speed limit.

The technology depends on a data processing system capable of selecting relevant information from a camera that scans the road ahead The computer has been trained by example to recognise its surroundings and to register abnormal situations. The data processing technique which is described as "seeing without computing" is faster and cheaper than conventional approaches. according to the Daimler-Benz: Germany, tei 7111793271; http://

Vanessa Houlder



"The definitive work on the marvelous Rothschild," cogent and strong. - KIRKUS, STARRED REVIEW

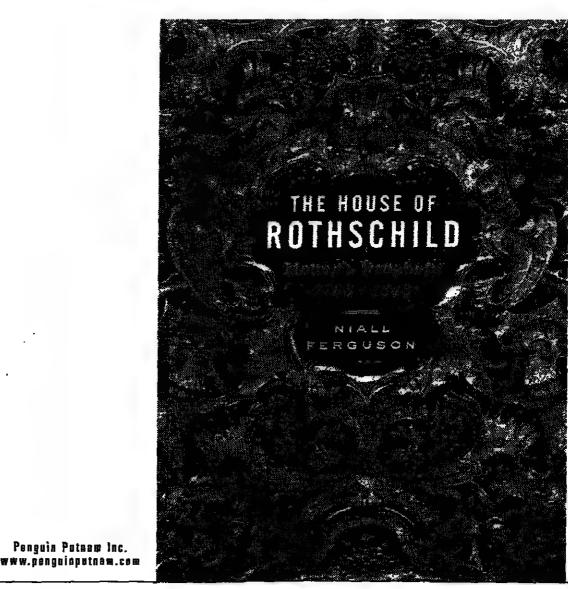
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"A remarkable contribution—a compulsive read."

-CHARLES P. KINDLEBERGER, MIT

"Ferguson's book is a brilliant and authoritative reconstruction of the world of the family that really invented the bond market."

--- HAROLD JAMES, PRINCETON UNIVERSITY





Commercial Bank of Oman .. Commercial Bank of Oman US\$ 100,000,000 **Revolving Credit Facility** DRESDNER KLEINWORT BENSON BANKGESELLSCHAFT BERLIN GROUP **EMIRATES BANK INTERNATIONAL PUSC** LANDESBANK SCHLESWIG-HOLSTEIN BANK OF VALLETTA PLC. RAIFTEISEN ZENTRALBANK ÖSTERREICH AG BANCO ATLANTICO, S.A. NATIONAL BANK OF ABU DHABI ZENTRALBANK EG WESTDEUTSCHE LANDESBANK GIROZENTRALE, LONDON BRANCH

WestLB

Penguin Putnem Inc.

5.000 6.375 5.250 6.376

EUROZONE CREDIT SPREADS VS ECU

5.000 6250 5.625 5.500 8.750 7.250 6.378 6.250 7.125 9.000 5.625

Positive earnings power bourses

EUROPEAN OVERVIEW By Philip Coggan

Corporate earnings have

bourses to move ahead. numbers from Schering and was up 4.01 at 893.26. Commerzbank in Germany and from British Energy and sector was tobacco, which technology stocks.

A strong performance by higher at Ecu 7.33.

HEE MONTH EURO FUTURES (LIFTE) Soutim points of 100%

\$84 price Change 96.385 -0.005 96.580 -0.020 96.615 -0.025 96.610 -0.025

IN LOW STYLE PYTE MINISTER 100 MINES SEPTION WER SOUTH PER Indian pain

FTSE Ebloc 100

Asian bourses gave markets Pharmaceuticals were up hard-headed central bankers an early boost, but gains 0.7 per cent on the back of refuse to cut rates, especially were fairly limited with the Schering results, with given political pressure, for Paris and Brussels closed for the company itself Ecu 3.9 fear of damaging their credihigher at Ecu 99.13. armistice day.

The FTSE Eurotop 100 been a regular concern for index rose 12.75 or 0.5 per France and Germany earlier ments respond by easing fis European investors recently cent to 2.478.38 while the in the week, together with cal policy, but not enough to but yesterday the news from broader Eurotop 300 gained some weak recent German stave off a slowdown. Tax the sector was fairly positive, allowing the region's 1.079.21. The FTSE Ebloc 100 opened the question of rises, bond yields rise. Gov courses to move ahead. index, which focuses on the whether the European mone-eraments start hitting their there were respectable core euro zone countries, tary authorities will be flexilimits under the stability

The day's best performing deflationary threat.

Mr Montier concluded: sector was tobacco, which "Euroland could well be "The European central bank"

1 3 5 7 10 15 20 30

ble enough to head off a pact."
deflationary threat. Mr Montier concluded.

Inflation figures from

CGU in the UK. An upheat jumped 3.3 per cent on hopes headed for a Volcker- refuses to condone fiscal statement from the US chip—of a settlement to the long-maker Intel lifted Europe's running litigation battle in said James Montier, global The result is that the europe the US. BAT was Ecu 0.4 strategist at BT Alex Brown. soars and Euroland is

"The leftwing govern-

FTSE Actuar Produced in conjun				institute of		n series
November 11 National & Reckrati	Ecu	Day's	change	Yield	xd ad	Total rein
Markets	indez	70		gross %	yed	(Ecu)
1SE Gurotop 300	1079.21	+0.59	14.00	2.54	30.04 37.58	1116.09 887.51
TSE Eurotop 100 TSE Elder 100	2478.38 893.22	+0.52	+12.75 +4.01	2.57 2,37	14,33	905.97
TSE Eurotep 300 Region	1123.78	+0.47	+5.23	2.34	20.67	1147.03
Eurobioc IK	1014.37	+0.47	+4.72	3.00	49.18	1080.17
urope Ex-Eurobiec	7044.44	+0.65	+6.78	2.86	38.09	1092.28
SPORT FOR IN	1117,01	+0.60	+6.71	2.31	19.38	1137.30
TSE Eurotop Industry S		0.47	1.45	2.00		FF 00
ESOURCES Extractive Industries	837.72 785.84	-0.13 -1.04	-1.10 -8.27	3.39	29.22	676.02 802.43
A, Integrated	807.84	-0.09	-0.71	3.35	21.73	827,40
ENERAL INDUSTREES	972.69	+0.60	+5.78	2.87	20,31	992.27
Construction	925.85	-0.50	-4.68	3.00	11.06	936.61
Allichery Maries II, Mileston	369.20	+0.18	+1.35	2.57	8.96	876.71 630.37
inersicale Inversified Industrials	815.98 891.31	0.10 +0.05	-0.85 +0.40	2.98 2.86	17.45 17.48	906.60
indunc & Bed Brum	838.95	+2.00	+16.45	1.98	5.41	843.52
ngineering laper Pckg & Printing	819.44 783.72	+0.14	+1.18 +17.95	4.01 2.08	11.68 1.21	629.41 784.70
CHISUMER GOODS	1122.93	+0.79	+8.83	1.57	49.50	1186.97
utomobiles	784.07	-0.09	-0.89	3.99	10.25	791.34
Icoholic Beverages	875.07	+1.96	+15.83	3.08	296.79	1303.61
ood Producers	950.23 953.74	+0.51	+4.83	1.59 7.99	9.79	959.33 960.89
numbold (joota & Testi exitesare	906.71	+0.64	-3.03 +6.78	1.28	7.88	900.00 920.28
barmacounicalo	967.82	+0.73	+7.18	1.30	5.27	993.18
obacco	1247.00	+3.29	+39,76	4,03	13.58	1264.14
ERYNCES	1105.61	+0.60	+6.63	2.12	22.57	1136.01
estribution many 1. Hobs	779.82 710.51	+0.54 -1.50	+4.92 -10.62	2.79 3.47	11.37 12.27	788.58 719.80
lecie	952 21	-0.03	-0.32	2.29	10.68	972.48
etzilere. Food	1009.08	+8.51	+5.16	2.02	14.17	1023,87
stations, Generali electromatunications	925.57 1021.38	+0.78 +1.00	+6.87 +10.08	3.39 1.88	19.39 13.02	943.51 1033.77
NAMED OF THE PARTY	739.50	-0.33	-241	3.60	16.00	752.58
upport Services	917.85 923.18	-0.09 +0.53	-0.81 +4.84	1.60 2.65	9.87 18.24	927.39 940.20
ransport furmation. Technology	923.18 681.10	+1,32	+11.51	2.56 0.41	2.33	863.19
TILLINGS	1415.80	+0.75	+10.59	3.10	55.62	1495.00
ectricity	1060.72	+1.05	+11.05	3.25	32	1099,05
as Distribution	1146.59	-0.14	-1,60	1.51	83.32	1262.47
WARRIE O	1055.36	+0.74	+7.70	4.78	36.72	1095.67
NANCIALS	1134.49	+0.52	+5.63	2,87	27.92	1154.83
anks, flotali Burance	777 72 890.98	+0.47 +0.88	+3.82 +7.79	3.74 1.55	12.96 11.79	786.16 901.73
ie insurance	1041.68	-0.14	-1.45	1.86	12.96	1055.21
ther Prencial vestment Companies	820.08	+0.38	+3.11	2.36	15.95	833.77
	896 61 714.85	+0.41	+3.65 -11.18	1.52 3.42	20.66 18.01	913,37 727,99

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•			GENERAL INDUSTRIES	972.69	+0.60	+5.78	2.87	20.31	992.27	- 3 year 4 year	3.67 3.1 3.81 3.1		3.73 3.87		6,14 6,16 6,12 5,17	
			Construction	925.85	-0.50		3.00	11.06	936.61	5 year	3.97 4.0		4.02		6.09 5.21	
		_	Suitching Maries II, Miletel Chemistrate	869.20 815.96	+0.16		2.57 2.58	8,96 17,45	876.77 830.37	6 year 7 year	4,12 4,1 4,28 4,3		4.17 4.31		6.05 5.27 6.01 5.23	
			Oversitied Industrials	897.31	+0.05		2.86	17.48	906.60	8 year	4.38 4.4		4.43	5.93	197 5.40	5.43
			Skrawk & Bed Bur		+2.00		1.98	5.41	843.52	9 year	4,48 4.4				.95 LAT	
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0	13		Automobiles Alcoholic Beverages	784.07 875.07	-0.09 +1.96		3.32 3.08	10.25 296.79	791.34 1303.61	25 year 30 year	5.25 5.2 5.33 5.2				5.69 5.07 5.88 5.96	
			Food Producers	950.23	+0.51		1.59	9.79	959.33							
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TON	0.1	19	SERVICES	1105.61			2.12	22.57	1136.01	•						
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			Support Services	917.65 923.18	-0.09 +0.53		1.60 2.65	9.87 18.24	927.39 940.20	Beigken Pinland	-0.11 -0.18			+0.17 +0.28	+0.10 +0.20	
lmi.			Transport Information Technology	681.10	+1.32	+4,84 +11,51	0.41	2.33	863.19	France	-0.17			-0.06	-0.06	
	_	_	UTILLTEES	1415.80			3.10	95.62	1495.00	Germany	-0.16	-0.0		+0.09	-0.18	
100	257		-							reland	+0.04			+0.12 +0.24	+0.13 +0.21	
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167		140	Weter	1055.36	+0.74	+7.70	4.78	36.72	1095.67	Helberlands	-0.11	+0.0	71	+0.12	-0.06	
	ent pri	and.	PHANCIALS	1134,49	+0.52	+5.63	2.87	27.32	1154.83	Portugal Bosin	-0.05 -0.19			+0.33	+0.17 +0.24	
			Benks, Retail	777 72	+0.47	+3.82	3.74	12.96	786,16	"OUTS"	-0.14	-	~		71124	•
			insurance	880.58	+0.88	+7.79	1.55	11.79	901.73	Decision's	+0.37			+0.49	+0.32	
			Life insurance	1041.58	-0.14	-1.45	1.86	12.98	1055.21	Grecce Sweden	+8.57 14333			+4.07 +0.54	+2.35 +0.35	
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THE PRIZE

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David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge, particularly in the fields of industrial policy, third world development and the environment.

In his memory a prize has been established to provide an annual grant to enable the recipient to take time to pursue a particular project.

> In this, the eighth year of the prize, the theme is: How many lives can you improve with £5,000?

Applicants, aged over 21, of any nationality, should submit a typed entry of up to 500 words in English, together with a brief c.v., describing a practical innovation that would improve the lives of as many people as possible. Please keep David Thomas's interests in mind when writing the entry and suggest ways in which your project might be evaluated for success after implementation.

The winner will receive a cheque for £5,000 to implement the project, which might cover technology, medicine, social policy, scientific, financial, transport or other sectors. The project will be considered for coverage in the Financial Times.

CLOSING DATE JANUARY 8 1999

APPLICATIONS TO: ROBIN PAULEY, MANAGING EDITOR THE FINANCIAL TIMES (L) Number One Southwark Bridge LONDON SE1 9HL

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pressures on vehicle m

facturers to bring their

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Despite apparent efforts by

manufacturers to practice

price discrimination, buyers

can to some extent compare prices in different

countries and shop across

Mr Löhr points out that

the internet is an important

gence, since it broadens the

information available to con-

sumers. But the euro will

give an extra push to this

greater price transparency. Prices are higher in north-

ern Europe and once con-

sumers there get wind of

this there will be a move

down in prices towards the southern countries," said

Marcie Krempel, consultant

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"The car industry is going

driving force behind conver-

Conventional wisdom has it that car price discrepancies will narrow with the launch of the euro. Graham Bowley asks Volkswagen, Europe's biggest car manufacturer, what it thinks

The Euro is about to inject Customers should not from outside Italy. Austrian an important new element immediately expect to pay and German citizens had into one of Europe's biggest price controversies - that is VW's across all European Italy where they were it costs far more to buy a countries, says Manfred virtually identical model car Löhr, who has led VW's otbers.

Conventional wisdom has it that the launch of Euro- most to think carefully pean monetary union will about what the euro means bring enormous benefits for for its business. It – and its consumers in general, and Spanish subsidiary Seat divicar buyers in particular, sion, its Czech subsidiary Currency fluctuations, one of the most common justifications given by manufacturers for car price discrepancies, will disappear. UK - has manufacturing Companies that now charge varying prices in different countries and significant countries for what are essentially the same goods and part of the euro-zone, as well services may be forced to as in countries that will be harmonise their charge on the outside. sheets once they are denominated in euros.

So what does Volkswagen, Europe's biggest car manufacturer, think will happen? It broadly agrees that prices will converge - though not pean single market rules, immediately, and not comwill converge - though not pletely, since tax and trans- found that the car-maker

the same price for their tried to buy VW models in in some countries than in team studying the impact of the euro since 1996.

VW has more reasons than Skoda, the huxury car group Audi which includes Lam-borghini, and now Rolls-Royce Bentley of the sites in several European sales in nations that will be

Furthermore, in an important test case earlier this year the European Union fined VW Ecu102m (271,60m) for competition abuses which contravened Euronot to sell cars to buyers

who has studied the impact sumption taxes and heavy smallest. of the euro on European taxes on luxury goods. Finindustry. However, she thinks that the Netherlands are other year the prices charged for

companies in the short-term may try to exploit the confusion among consumers surrounding the single currency to raise prices. around 30 per cent cheaper. The VW case underlines

VW has already begun to Luxembourg and Spain. harmonise the prices it the fact that even before the coming of the euro there are charges local dealers across towards price harmonisation

> 'If we want to move towards price harmonisation we need to harmonise taxes. This is something we have taken up with the Commission'

process is set to continue. says Mr Löhr.

But it is unlikely to lead Communica." immediately to a convergence of saleroom prices to be hurt. There will be national tax regimes will remain after 1909.

differences in VW prices across Europe. A VW Golf in Denmark, for example, costs around twice as much as in Subaru and Alfa Romeo had higher prices for consumers in the biesest price differences, Löhr, this is because of Den- while Audi, BMW and

pe for new models like then we really need to harprices, says Mr Löhr. For the Beetle and Golf, and this monise taxes," he says, process is set to continue. "This is something we have example, in countries such as Spain, car prices can curtaken up with the European

at AT Kearney in Loudon, mark's high relative con- Mercedes-Benz had the

high-tax, high-price coun-

la contrast, says Mr Löhr,

Germany, France. Belgium.

"If we really want to move

land, ireland, Portugal and dicts that by the end of next

Denmark.

VW's cars will not vary by

more than 5 per cent to 10

lot of the special features

common to German cars are

duction of the euro VW

tive to supply these features

as standard across the whole

VW is spending around

However, after the intro-

optional extras.

According to a European Commission report in July, because differences in the selling price of the VW Polo varied by around one At present there are wide third across the EU, excluding Denmark, Greece and Finland: that of the VW Golf

Large segment 43.5% RMW 318P 12.6% Onei Corsa 24.0% VW Gott 44.7% Doel Astro 26.0% Aug M Ford Escort/Orion 33.8% Ford Mondeo 58.5% Peugeot 106 21.1%



DM100m (£35.70m) preparing and marketing at VW: "It is for the euro, much of it on not that we do not want to converting rently be cheaper because a systems to handle the new change our systems inter-

El car price differences

Poce disparties in ECUs at May 1 1998

Unlike other big German companies, such as Daimler- tual with dual pricing: from Benz, VW will not be adopting the euro as its

ary I, 1999. currencies, and customers That will come later than can choose which to pay 1999, but of course before in. 2000," says Mr Löhr.

The reason is purely technical according to Reinhard how quickly car prices con-Sleger, who works in sales

computer do this, but we have to nally."

29

But VW will be more punc-January next year prices of VWs will be denominated in might find it more cost-effect house currency from Janu- both the euro and local

This should make it

Legal contracts *safe and sound?



A manager's the euro

I've been told millions of legal contracts will be ffected by the euro. Does this mean that after January 1, all contracts involving old currencies in the euro-zone will come to an end?

No. Relax, Some of the finest legal minds in the world have been grappiing ith the lesue of continuity of financial and commercial contracts post economic ad monetary union and after some considerable head scratching they have framework created by the European Union for the introduction of the euro is sufficiently robust to prevent problems arising.

Legal framework? Yes, European Council Regulations provide that the introduction of the euro will not have the effect of altering any term of a contract or of discharging or excusing the performance of any legal obligation. Nor will It give a party to a contract the right unilaterally to after or terminate it. To preserve the principle of freedom of contract the regulations allow parties to agree any

changes they choose. Also the regulations provide that once the euro is substituted for the currencies of participating EU states at fixed rates on January 1, all references in contracts to national currencies will be replaced by references to euros. Similarly, references to Ecus will be replaced by references to euros at a rate of one euro to one Ecu.

countries not joining the single currency? Yes, the regulations apply to all EU member state irrespective of whether they join. In the case of contracts governed by English law, the common law principle of continuity of contracts will apply. The English courts

have made it clear in the

past that as a matter of

Does this apply in

principle a currency change s not sufficient to frustrate a So, in theory, there is only a remote chance of financial and commercial contracts being terminated on the grounds that the currency change has made their performance impossible, or has so changed the circumstances that the contract is completely

different from that

contemplated by the parties. in theory? Instances of commercial contracts being frustrated by the currency change will be rare, although companies should be reviewing contracts which refer to the Ecu or a national currency which will be replaced by the euro and which will continue after January 1. Financial contracts may prove more problematic, however. The UK's Financial Law Panel, which looks at legal uncertainties that may cause problems for the London financial markets, has examined the issue and concluded there should be

no problems. But it has identified tissues which could cause problems for certain markets which it says participants need to keep an ave on.

Such as? Such as the disappearance of indices used as reference points for setting interest rates so-called price sources. The disappearance of price acurces is relevant in the over-the-counter derivatives markets and might to a leaser extent also affect bond markets and possibly icen finance murketa. in most cases there will be

an obvious successor for most rates. But where, for example, on a basis swap exchange payments calculated by reference to the interest set on different bases, for example the three-month Libor rate for D-Marks and the three-month Paris inter-bank offered rate for D-Marks. after the D-Mark disappe neither rate is capable of calculation. Maybe substituting a three-month Libor euro rate and the three-month Euribor rate would be acceptable to the parties. But if they argued the substitution produced an economic result substantially different from that contemplated by the original contract it would be hard for the courts to disagree

The Panel concluded the key to removing these difficulties was the development of market consensus on the replacement of those price sources which will disappear on January 1. Witest about outside the

it is true that the European regulations do not change domestic contract law in countries outside the EU so atthough under international law a state is broadly required to recognise the currency of another state, there may be areas of uncertainty. Where for example contracts are which will be replaced by the euro and governed by the law of a non-EU state, contracting parties will ne to take legal advice on the

impact of the change.

The position in the world's main financial centres is pretty clear. In New York, ation has been passed amending the general obligations law and the uniform commercial code so as to provide for continuity of contracts. Similar legislation has been adopted in Illinois and California and is under consideration in other states, in Hong Kong the government plans legislation to ensure continuity of contracts. Japan, Singapore and Switzerland are all thought to pose no problems. So there is nothing to worry about, then? Well, always providing

Emu does not collapse. But

would be so horrendous that

the legal uncertainties

strong incentive for

flowing from a collapse

it should provide a pretty

members of the single currency to stick with It. Robert Rice

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Barclays Capital Euro Government Index All Maturities Annual Yield



Where can you find a European bank with the local expertise to build and run an index embracing the new \$2 trillion Euro government bond market, yet with the technology to provide all the data direct to the Internet?

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And in 10 other cities across the world http://www.barcap.com Issued by Barckys Bank PLC, regulated by SFA and member of the London Stock Exchange. **GOVERNMENT BONDS** By Jeremy Grant in London

European bonds ended mixed yesterday as a holiday in the US reduced trade. The only significant action was in the UK, where a Bank of England report playing down prospects of a further interest rate cut sliced half a

Investors were mostly

less. And with long-standing

rivalry fanning the flames

Singapore and Hong Kong's

argument over a futures con-

tract has swiftly reached

The HiMSCI contracts,

which Singapore plans to

launch this month, are based

on a Hong Kong index built

by Morgan Stanley Capital

The competition is uncom-

fortably close for Hong Kong

- the contracts could lure

trade from the territory and

possibly provide speculators

with an offshore tool for

manipulating prices in the

territory - and has prompted

the Hong Kong Futures

Exchange to extend its trad-

ing hours, cut fees and even

wade into the murky waters

'We believe that in a head

of freedom of information.

auction of five-year Bobls across all contracts. and the December 10-year bund future traded in a range of 112.13-112.32.

in UK glits, interest rate expectations were skewed after the BoE's monetary policy committee said in its against a rate of 6.64 per quarterly inflation report that underlying inflation close. The key interest rate would rise above its target next year, then return to 25 per cent in two years.

That prompted the short sidelined and trading was in sterling market to scale back narrow ranges. In Germany, its interest rate cut expecta- between the cash gilt and squeeze than they expect

Futures Exchange

But the ultimate prize is

cial centre in the Asian time

zone. Both centres are prized

for their infrastructure.

labour skills, legal and regu-

latory frameworks; and both

raise backles with their high

cost structure, an issue now

being tackled by Singapore.
The immediate fight being

waged in the trading pits.

however, is over liquidity.

where Singapore holds sway.

Trading volumes on the

Singapore International

Monetary Exchange (Simex)

are four times those of Hong

Kong, and it boasts a broad

international array of prod-

ucts, including eurodollar

and Nikkei 225 index futures

this robust platform: Singa-

There are plans to build on

the mantle of premier finan-slipped backwards and has

ling future, which indicates for the day of 82 points. where the market expects key rates to be that month, per cent by December, cent at the previous day's is 6.75 per cent.

The December 10-year gilt 114.37 in volume of 35.000 contracts traded. The spread

Exchange, by contrast, has

seen volumes fall in recent

months. Futures contracts

played a big role in the spec-

ulative attack that hit the

territory's financial markets

from October last year, and

as such were ripe for curbs

when the government acted

peculators used futures

ally follow currency attacks.

the cost of holding big

futures positions, by impos-

ing a margin surcharge of

150 per cent on positions of

more than 10,000 contracts.

Disclosure requirements

were made more stringent.

to profit from the stock

market falls that usu-

August 31, new rules

re introduced to increase

in August and September.

bunds largely ignored an tions by 10-12 basis points bund contracts widened by 5 and less of the wage pres-The December short ster- after having fallen to a low

That dip was partly the result of data showing unemwas pricing in a rate of 6.77 ployment had risen by 6,800 in October, contrary to expectations of a fall.

Michael Saunders, UK economist at Salomon Smith Barney, said the Bank's view on inflation was too pessifuture settled 0.50 lower at mistic. "I think that growth you'll get more of a profit

to inflation." he said.

The Bank also forecast that economic growth would slow to about 1 per cent next year before climbing back

James Mitchell, senior strategist at Nomura, said: "In the near term, gilts are likely to remain a bit nervous but come next month, when we get the next batch will be slow enough that of [economic] survey data, people will become more optimistic on rate hopes."

In German bunds, the basis points to 92 points. sures will be passed through December 10-year future was unchanged at 112.21 in dull late trading. The main focus was a speech by Franz-Christoph Zeitler, a Bundesbank council member, in which he said the economic outlook did not warrant a rate cut

this year or next. Traders said there was not much demand for the Bobl auction. The government said it had sold DM7bn of the notes priced at 99.94 and higher. The average yield was 3.75 per cent.

resolve the matter, adding

exchange price data is regu-

commercial issue, with infor-

mation an asset like any

other. And it is flexing its

muscle by enhancing its own

product, offering a waiver on

all Futures Exchange fees next month; a 0.6 per cent reduction on interest rate

charges on margin funds;

and plans to add half an

hour to the trading day and

Hong Kong insists it is a

lated by a contract.

NEWS DIGEST

FUTURES AND OPTIONS

CME to extend range of dairy-related products

The Chicago Mercantile Exchange is to extend its range of dairy-related contracts, adding futures and options on non-fat dry milk and dry whey. The exchange currently trades basic formula price milk, butter and cheddar checse futures, but is competing with the New York Soard of Trade, which also has a dairy complex, for dairy industry business. Both exchanges see this as a potential growth area, since the US dairy industry - traditionally heavily protected by price supports and the like - is deregulating at present. There has also been a trend for both producers and processors to consolidate their operations.

The new contracts will start trading on November 16, and, on both, the specifications relate to 44,000lb of dry product. The contracts will be cash-settled against the US Department of Agriculture's weekly weighted average price for the week ending on the last Saturday of the relevant contract month. Nikki Tait, Chicago

EMERGING MARKETS

Rothschild opens in Bombay NM Rothschild, the UK investment bank, is bucking the

sector's retreat from emerging markets by opening a representative office in Bombay. Intending eventually to establish a full subsidiary in India. Rothschild has applied for a merchant banking licence. The bank said it was already working on cross-border mandates involving India, The office will be headed by Shankar Dey, who worked

in corporate advisory for Peregrine India until the pan-Asian investment bank collapsed earlier this year. Most of the initial eight-strong executive staff will also come from Peregrine, although Öliver Blackaby, a corporate financier, will move to India from Rothschild's London office. Peter Birch, a Rothschild non-executive director since

retiring as chairman of UK bank Abbey National earlier this year, will be chairman of the Indian business. Clay Harris

CUSTODY

AIA appoints Citibank for Asia American International Assurance, a subsidiary of Ameri-

can International Group, the US insurance company, has appointed Citibank as its Asian regional custodian. Under the agreement, Citibank will provide custodien, cash management and portfolio reporting services for AIA, the largest life assurance company in south-east Asia, it covers the Insurer's investment businesses in Hong Kong. Singapore, Talwan, Malaysia, Thailand, the Philippines, Australia and New Zealand. Citibank has also been appointed to provide support for AIA's investment affiliate in Dublin, Vincent Boland



The Hong Kong Futures

market's development and Simex; for Hong Kong it Kong Stock Exchange to drive investors to other draws accusations of control-

futures centres - but officials later backed down. It was a brief respite, as the bellicose spirit has again more akin to its mainland this time is action as well as intervention into the stock words: most potently, steps to prevent information vendors such as Reuters giving the real-time data to Simer that it will need to attract investors to its HiMSCI.

Hong Kong Stock Exchange, which has a contractual agreement with information vendors, is the one that could be most damaging - to Singapore and the territory. Even a 16-second lag on

This gambit, taken by the

ling information flows, a barb that implies the free market territory is becoming been stirred. Ammunition sovereign, After the August market, which attracted criticism that free market principles had been abandoned, it is a doubly wounding jibe. Simex called it a step that

goes against statements by

the Hong Kong Securities and Futures Commission [the industry regulator] that anyone is free to introduce a derivative based on the Hong Kong stock market". Dennis Lim. country man-

cut margin requirements.

"This is just the beginning," says Mr Gilmore. "The stock exchange can do ager (Hong Kong and Macao) certain things. The clearing for Reuters, said the group house may be able to add was working with the Hong some fire power as well."

to head fight for more liquidpore recently proposed merg-The move was criticised ity we will wip. And we ing its stock and futures by the futures exchange -Geoffrey Yeh, chairman, believe that this issue will be exchanges, freeing stock obtaining the data could claimed it would stille the scupper the product for resolved, and resolved in the exchange commissions and BOND FUTURES AND OPTIONS 5.000 100.3500 5.000 100.0500 9,000 109,3400 7,000 116,7000 3.47 +0.01 +0.01 -0.02 3.63 +0.01 +0.03 -0.13 4.26 +0.01 +0.03 -0.16 6.22 - - -0.08 8,000 104,2000 8.000 100.7001 3.49 +0.03 +0.08 -0.01 -0.84 6.500 114.3400 4.07 +0.01 +0.01 -0.22 -1.20 -0.08 Open Seti price Charge 112.15 112.12 -0.09 112.60 112.43 -0.09

TO YEAR BENCHMARK SPREADS 15.14 +0.97 +0.29 4.39 +0.22 -0.46 4.55 +0.28 -0.40 5.19 +1.02 +0.34 4.67 +0.50 -0.18 4.85 +0.38 -0.30 4.29 +0.12 -0.56 4.17 -0.58 4.18 +0.31 -0.37 4.48 +0.31 -0.37 4.56 +0.39 -0.29 0.90 -3.27 -3.95 4.27 +0.10 -0.58 **EMERGING MARKET BONDS** +0.16 +0.05 +0.16 40.15 +0.27 11,51

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Relaxed

Relaxed Old Lady firms up sterling

MARKETS REPORT

Sterling rebounded from earlier jitters over the state future path of interest rates. 25 per cent target, implying of the UK economy yesterday after the Bank of in the December 1998 con- than the market thought. England's Inflation Report tract implied a virtually The Inflation Report also reduced hopes of rapid cuts unanimous market view that said that the Bank's view of in interest rates.

The pound, having fallen in advance of the report, recovered sharply to finish recovered sharply to finish at its meeting in December. had assumed.

London trading hours at And prices of contracts The market's residual DM2.788, down from DM2.799

ments during the past three MPC did not share the manner months had reduced the cial markets view of potential inflationary pressure tial inflationary pressure prospects for growth tial inflationary pressure through a decline in world trade, it said the chances of hence the future path of a credit crunch affecting the interest rates.

Bank's projection for output growth showed it recovering trend in 2000 after sliptrend in 2000 after sliptrend in 1000 after sliptrend in 1000 after sliptrend in 1000 after slip-

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■ The Inflation Report also pushed down short sterling RPIX inflation based on the prices across the strip, as market's expectations of market participants revised interest rates showed inflaup their expectations for the tion consistently above the

expiring in 1999 showed sim-

And the central case in the POUND IN NEW YORK Nov 11 --Lated---

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A fall of 12.5 basis points that rates may stay higher

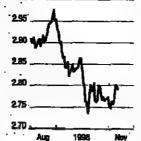
the Bank of England's mone- the likely path for sterling in tary policy committee (MPC) the future had less downside would not cut interest rates risk than previous reports

that international developments during the past three months had reduced the expectation of sterling joinrency up, said Avinash Persaud of JP Morgan. Sterling yesterday was and make it harder for th trading close to DM2.50 in currency to fall, he added.

the 2002 forward market. "Traders in the UK often like to be bearish about their own currency," Mr Avinash said, "but if the perception grows that the UK will join the euro, the market will be quick to make convergence

19,0001 55,9442 18,3745 8,0654 2,7125 46,831 1,054 1,0

Agelest the D-Mark (DM per 5)



EMU expectations would be an "anchor for sterling" and make it harder for the

■ The dollar yesterday gave up some more of the gains it had made against the yen earlier in the week, Profit-takers took advantage of thin trading on a public boliday in the US, and

11.8075 34.6200 5.385 5.6270 1.673 36.1530 1.4525 1653.15 34.5202 7.4622 172.025 142.570 1.3846 1.8712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712 1.5712

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dard and Poor's MMS.

Y122.5 on Tuesday.

what, he added."

said Michael Wallace, maneconomic consultancy Stan-"It had got a bit ahead of

■ The yen's rise versus the rencies, which are nonethetheir image as being no more than satellites of the Japa-

MOTHER CURRENCIES

11,7690 54,6000 5,7571 5,6235 1,6770 281,776 1,658,06 34,6000 1,8905 171,950 142,820 7,9051 1,3674 1,1674 1,1674

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the currency ended Euro-pean trading at Y121.8 ver-The Taiwanese central sus the yen, down from bank cut two key intervention rates by 12.5 basis "The dollar was a bit points yesterday. Market directionless on the day," analysis said that the cut was not unexpected and may ager of currency analysis at have been an attempt to inject confidence into the

local equity market. The Taiwanese dollar itself earlier in the week and ended London trading hours today it pulled back some yesterday higher against the dollar at TESC.6885.

"The firmer yen trend in Asian trading has definitely dollar again helped the helped the Asian curren emerging market Asian cur-cles," said Tim Fox, chie cles," said Tim Fox, chie treasury economist at Stan less struggling to shake off dard Chartered in London their image as being no more "But in general there is: more selective attitude to

Asia," he added,
"It is notable that ever when there is a genera east Asian currencies, goo performers like the Philip pine peso and the Thai bah most of their gains," said M

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TRACK DATA'S NEW SYSTEM FOR THE MILLENNIUM

Tin price recovers after ploy on Tuesday

MARKETS REPORT By Kenneth Gooding and Paul Solman

Strange things are tonne. Yesterday, the price happening in the London recovered by \$25 but the Metal Exchange's tin mar- squeeze continued and the ket. Not only has a supply squeeze developed but, trad- ate delivery, compared with ers suggest, a clever ploy on three-month metal, remained Tuesday forced the tin price \$50 a tonne.

down at a time when a big fall in stocks was revealed. Stocks fell by 600 tonnes but so did the three-month tin price, by \$80 to \$5,435 a premium for tin for immedi-

its nickel contract by allowplate cathodes to be deliverquettes. There will be a \$100 tonne discount on the full plate for at least two years. Most Russian nickel

pean stainless steel producing, from January 4 2000, full ers. Analysis suggested the change would provide more able, as well as the present transparency in the nickel cut cathode, pellets and bri- market by making total stocks more visible.

Crude oil prices strengthened as the US appeared to move closer to carrying out day's'close of \$13.52 arrives in the west as full air strikes on Iraq.

leum Exchange, the Decemher Brent blend contract was \$12.40 a barrel, up from Tuesday's close of \$12.04. tract was \$242.90 compared Prices also rose on the New with Tuesday's close of Prices also rose on the New York Mercantile Exchange, with December crude at \$13.82 a barrel in early afternoon trading against Tues-

The LME announced yes plate cathodes and full plate In late trading on Lon- White sugar futures rose terday that it is to modernise is widely used by the Euro- don's International Petro- on the London International Financial Futures and Options Exchange. In late trading the December con-\$235.40. Liffe said sugar reached a record volume of 12.136 lots on Tuesday, beating the previous record of 11.234 on September 11.

ahead with

Ashanti Goldfields of Ghana has completed its \$135m takeover of Samax Gold, a Toronto-listed company, and will push ahead with developing the Geita project in Tanzania into one of the world's biggest gold mines.

Samax and Ashanti have adjoining properties in the Geita district. By developing them as one, Ashanti expects to have a mine with an annual output of 400,000 troy ounces in operation before the end of 2000, said Mark Keatley, chief financial officer, Cash operating costs will be among the world's lowest at \$180 an ounce.

Ashanti will spend about \$130m on the Geita mine. At present the deposit has 6m ounces in resources, of which about 5m ounces will be brought into reserves.

It is also expanding its Siguirl mine in Guines and has bought Samax's 50 per cent of the Golden Pride mine in 30 to \$20.3m, or 19 cents : Tanzania which Resolute of Australia, the operator, will charge of \$30m relating to bring into production in a the closure of the high-cost few weeks.

Consequently, by the end of next year Ashanti's 420,162 ounces, up 45 per annual gold output should cent from the same period rise from 1.5m ounces to last year, and cash costs at 1.7m ounces and Geita will take it to 1.9m ounces

Ashanti offered a convertible alternative to its cash offer and holders of 32 per cent of the Samax shares

Most of the shares went to Jean-Claude Gandur, the Swiss chairman of the Addax and Oryx Group, an oil and minerals company that was the former biggest shareholder in Samax. Mr 4 per cent of Ashantl and has been appointed a non-

executive director. Mr Keatley pointed out that Ashanti had bought 3.3m of its own shares recently and this would partly offset the 5.7m new shares to be issued for the

Ashanti will continue to buy back its shares whenever the directors believe they are trading below their true value.

reported a 30 per cent increase in earnings for the three months to September share before an exceptional Iduapriem mine in Ghana.

Gold output was a record

Tanzanian mine

accepted this.

Samax acquisition.

The company recently

Ashanti to push Rising prices hit hopes for rice exports

Despite a bumper crop in Pakistan, orders may prove elusive, says Farhan Bokhari

getting large export orders in spite of a bumper harvest. Rising prices in the domestic market, driven up by expectations of strong export potential, have reduced Pakistan's competitive edge over exports from other Asian countries.

The increasingly cautious assessment comes as prices in some areas are more than 20-25 per cent higher than

The outlook for the harvest and its export potential are vital for Pakistan as the country struggles to narrow its international trade deficit and stave off a crisis on foreign debt payments. Supplies of basmati-385

and "super" basmati, Pakistan's two main exportable rice varieties, are expected to peak this month when most of the crop is harvested in the Punjab province. Pakistan expects a harvest at least 10 per cent greater

than last year's 4.3m tonnes. Independent analysts say suitable weather and fewer pest attacks have boosted In addition, many farmers chose to sow rice this year,

putting an extra 100,000 acres under cultivation and bringing the rice-growing area to almost 3.6m acres. "Last year, many farmers

Pakistan's rice exporters just at the right time and have become increase would now gain from the bumper harvest," says Rao Ghavur Khan, director of the Kala Shah Kaku Institute outside Lahore.

Some of that increase has taken place in areas where farmers grew cotton, but changed to rice after last year's pest attacks. However, rice traders say

the expectation of a bumper crop leading to large export orders is premature, as prices in the domestic maret have risen above offers from foreign importers. "A bandwagon effect led to

a price increase. Unfortunately, prices are inflated to the point that they would have to drop by at least 10 per cent before exports took place," says Khalid Ghauri. head of Matco Enterprises, a Karachi-based rice export Mr Ghauri says Pakistan's

tough economic conditions have also caused uncertainty about prospects for rice exports. The country is struggling to finalise a new agreement with the International Monetary Fund and other multilateral donors to put together a \$5bn loan Businessmen say loans

mainly because of faltering business activity. Mr Ghauri says: "In the past, exporters found it easier to buy rice on thought prices would credit and store it away, but increase. They planted rice now cash-flow is a probl



The larger crop also gives no assurance that rice production will also increase in coming years. Pakistan's rice farmers still have to deal with adulterated pesticides and rising fertiliser and electricity prices.

This year, the Punjab has taken the lead in clamping down on unscrupulous traders. Frequent raids on pesticide shops have forced many traders to close down.

However, many critics say the campaign will succeed from banks have shrunk, only if it continues for several years. Many pesticide dealers have connections with ruling politicians and other influential officials. allowing them to remain

Many farmers also need to acquire newer technologies to increase their yields. Frequent efforts to introduce high-tech mechanised rice planters have failed to establish their use.

Pakistani farmers, who sow with bare hands, have ignored the recommendation that up to 80,000 rice plants be sown in an acre and sow 40,000-50,000 instead.

Farmers lament the high price of mechanised transplanters, which cost about twice as much as a mediumsized tractor. "It's the economic issue which counts. says a scientist. "Even with year's bumper crop, no one knows if that would be

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MEAT AND LIVESTOCK

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NEWS DIGEST

CEREALS

Russian harvest hit by drought and hot weather:

Russia's production of cereal crops has fallen by 43 per cent this year because of prolonged drought and hot weather. The country's total cereal crop is forecast to be 50m tonnes compared with 86.7m tonnes in 1997, according to a special report by the Food and Agriculture Organisation of the United Nations.

Official projections put the grain crop at 48m tonnes. excluding maize, although the FAO said unofficial sources suggested a figure of 65m tonnes, claiming that gross under-reporting had occurred, possibly to evade taxes or

farm loan repayments. The FAO said Russia would need to import at least 4m tonnes of cereals to meet consumption in the 1998-99. marketing year (July-June). Recorded imports in 1997-98 were 3.5m tonnes, "though unrecorded flows may bias this figure on the low side". Cereal feed exports (wheat and . barley) for 1998-99 were forecast at 1.9m tonnes, about 700,000 tonnes lower than in 1997-98, Paul Solman

BAUXITE

Jamaican production up 5%

Jamaica's bauxite production in the first nine months of this year totalied 9.46m tonnes, 5 per cent more than the corresponding period of last year, according to the Jameica Bauxite Institute. Alumina production rose 2 per cent to 2.56m tonnes. Jamaica is the world's largest baux-

ite producer after Australia and Guinea. The increase came from stable industrial relations in the industry, and efforts by miners and refiners to improve their performance and competitiveness, said Dennis Morrison, senior economist of the institute. "Refiners have been running at full capacity since the start of this year," he ... said. The institute is projecting 1998 bauxite production at 12.5m tonnes, and alumina production at 3.4m tonnes. Canute James, Kingston

Malaysian producers cut costs

Malaysian oil producers are stepping up efforts to shrink development and production costs because of the Asian financial crisis and the low price of oil. Producers under the two-year-old Cost Reduction Alliance (Coral) programme hope to cut costs by 30 per cent by 2000. The scheme, which encourages the sharing of information, has saved oil companies M\$590m (US\$155m) so far.

Companies are sharing seismic vessels and introducing better contract processes for drilling operations. "We have seen positive results [but] the journey ahead will be very challenging," said Akbar Tajudin Wahab, general manager at Petronus, the national oil company, at a Coral seminer in Kuala Lumpur. Producers are also trying to improve oil recovery from the current 37 per cent through new drilling technology and well completion practices as new fields get smaller and harder to find, TJ Tan, Kuala Lumpur

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GRAINS AND OIL SEEDS

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> CROSSWORD No.9.837 Set by ORENSE

1 A stubborn type needing time and charm (6) 4 Terribly dear! Been to

10 A bit of European pond life very sober (7)
12 Right way out? Wrong (4)
13 How the police run! See how they fly! (10) 15 Team drawing one all (6) 16 Fall back on drink - she's

heartless (7) 20 High roller eventually runs into mug (7)
21 Take a dive, needing breather during exercise

22 Oppose what changes? For what ends? (6)
23 Set out, say, in prohibition

28 Pain I've gone into to get there (7) 29 A load of rubbish - not

quite like mother of pearl 30 Can time heal without med-

rate changes (8) 2 Slips are subject to friction 3 Love God and lift pain (4)

1 Beastly consumer before

windy player (8) 6 Can follow logic expensive (10) 7 Always first to turn out (5) 8 Official denial - attempt to conceal a . . . (6)
9 . . . disease from staff

everywhere (5) 14 Task force's air of indifference (10) 17 Traffic noise over M1 (5.4)
18 Animals have rising grass under control (8) 19 Feeling ecstatic - that's apt without love (8)

24 Lead horse in chase for 25 When the female becomes 26 Tail end of queues ignored 27 Shock second thoughts on drained (5) appearance (4)

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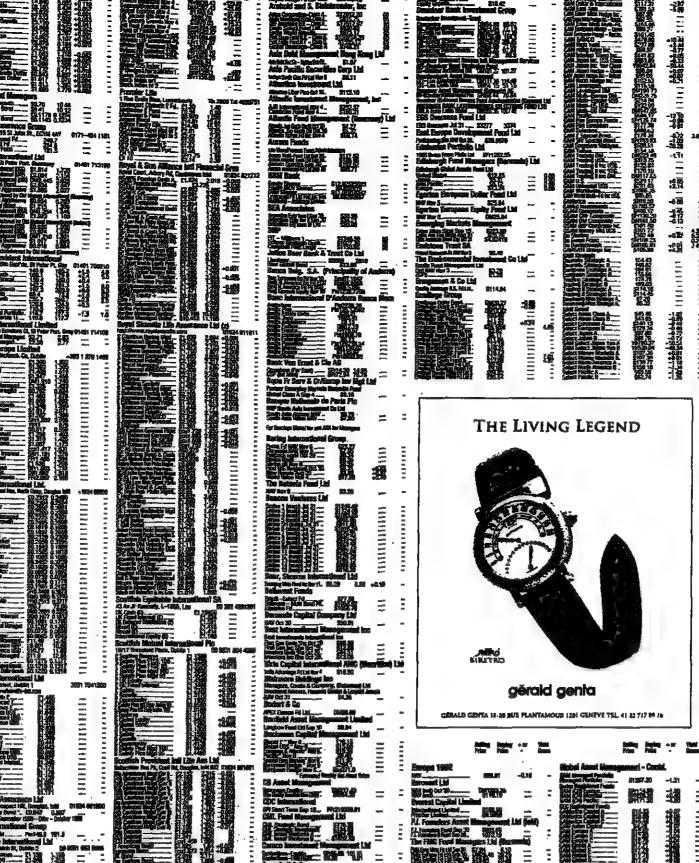
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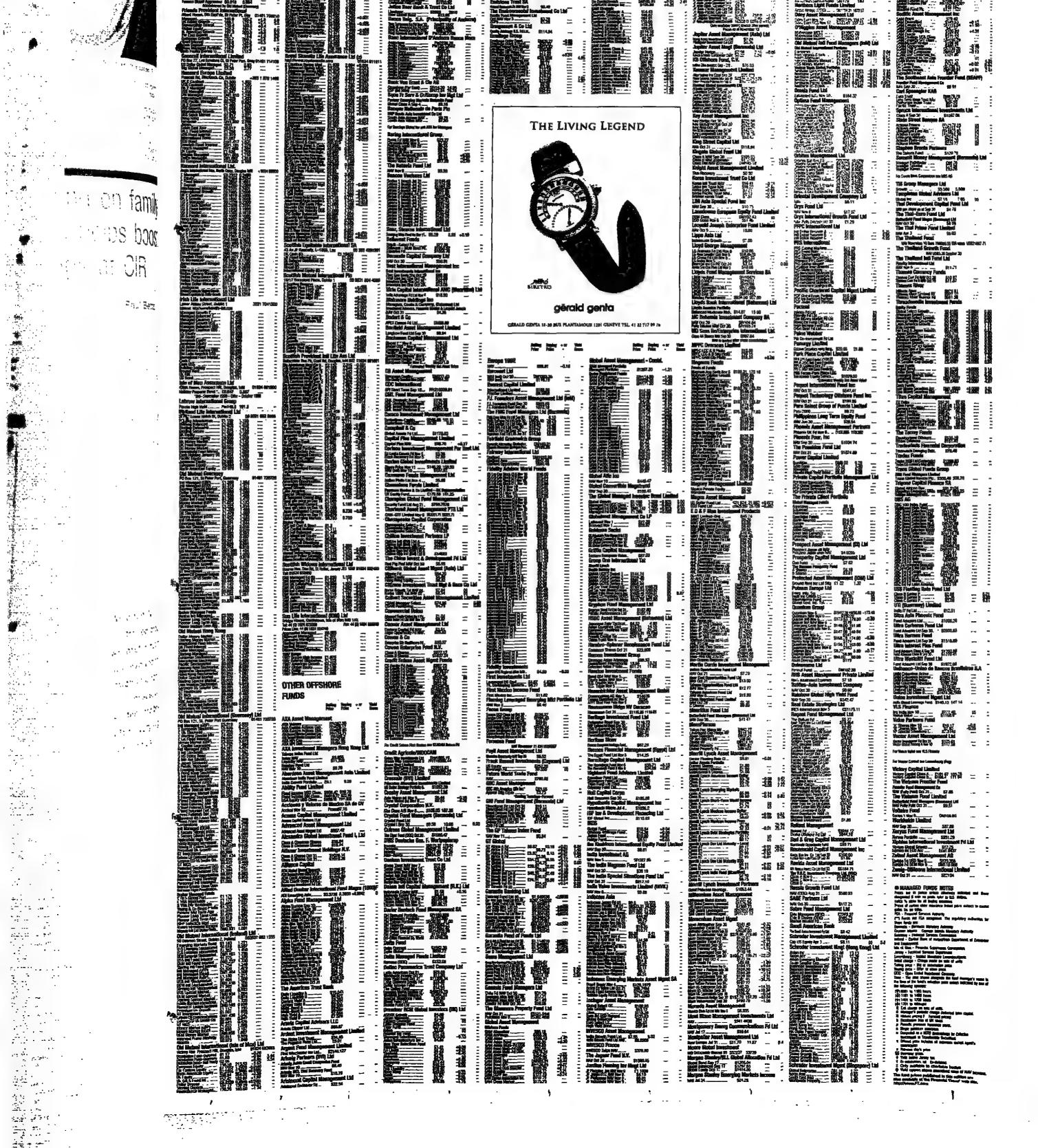
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LONDON STOCK EXCHANGE

Company results give welcome boost to shares

MARKET REPORT By Steve Thompson, UK Stock Market Editor

A handful of reassuring suffered badly in the two-day leading FTSE 100 constituents and a strong showing by Asian markets gave with some dealers talking shares in London a welcome boost after the losses of the previous two sessions.

That good news helped offset the impact of Tuesday's lacklustre performance by Jones Industrial Average gave up 33 points after an

its best - 5.516.3 - the FTSE the session-high of 2,068.8. 100 index still settled 44.5 ahead at 5.476.8.

much of the session but another cut in US interest came off towards the close, rates. about a small sell programme late in the day involving midcaps.

The FTSE 250 index eventually closed 1.6 off at 4.872.8, having been up 15.8 at the day's best. The FTSE SmallCap, on the other hand, went from strength to nomic growth of about 1 per strength, moving up 8.9 to cent and forecast inflation to

stocks when Wall Street Second-line stocks, which opened in uneasy fashion, thanks to some uncertainty

> The day's domestic economic news, which included another increase in unem-England's quarterly inflation report, caused few problems for the market.

The inflation report said the Bank expected 1999 ecotwo years' time.

strongly from oversold levels less in recent days, with the constitute a serious barrier bad news on earnings offsetstory. While the index looks likely to remain trapped in the 5,250-5,650 range in the near term, the strong run in Asian markets should

towards the upper bound."

Best and worst performing FTSE sectors

Although finishing well off 2.066.9, only a fraction off edge above its 2.5 per cent Richard Lake, a chartist at ing to offset the recent trend is best - 5.516.3 - the FTSE the session-high of 2.068.8. target next year before stockbroker Brewin Dolphin, of poor results and profits There was no lift for UK returning to that level in said: "Where to from here? It downgrades that have is encouraging, short to gnawed away at the mar-The strategy team at medium-term that Footsie is Credit Suisse First Boston decisively above its 50-day corporate news reports from setback, traded higher for about the prospects of noted: "Having rallied moving average, which itself is now rising. Longer-term, in the third quarter, Footsie the 200-day moving average has begun to look direction and the top area above 5,700

> remain cautious." CGU. British Energy and Cable & Wireless were the three FTSE 100 constituents encourage an advance that helped get the market

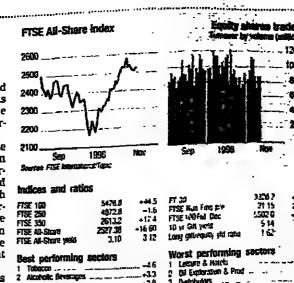
of resistance. Therefore it is

period of consolidation and I

ket's confidence.

And there was a welcome burst of takeover activity in the smaller stocks, with Marston Thompson & Evershed confirming a bid approach by fellow brewer Wolverhampton & Dudley, Heritage ployment and the Bank of ting the interest rate bull reasonable to expect a short Bathrooms noting an approach and Prism Leisure announcing a management buyout proposal.

Activity in the market was relatively light, with turnover reaching the 850m off to a splendid start, help-shares mark by 6pm.



Pay-TV fears hit Carlton

COMPANIES REPORT By Peter John, Martin Brice and Joel Kibazo

Carlton Communications was the worst performer in the Footsie with a fall of 191; to 403p. Analysts said On Digital, the terrestrial pay-TV service in which Carlton has a 50 per cent stake, would be launched on Sunday and the market was becoming cautious about its competitive potential.

Dealers said some of the big investment institutions had been lightening holdings in the stock recently and that was putting pressure on the stock. They said Prudential. Axa and Morgan Grenfell were net sellers and outgunned M&G and PDFM on the buy side.

A dramatic shift in stance by a leading broker on Avis Europe, one of the market's best-performing stocks in the past year, turned them into FTSE 250 laggards in very реал. лојптв

The downgrade, by Peter Bergius at ABN Amro. was more even more surprising after upgrades following sparkling interim data from the car-hire group in September. His move focused on British Airways' recent announcement that premium traffic was declining

He believed Avis had seen a dramatic slowdown in the UK, its key European market, and moved from a "buy" recommendation to a "hold". The shares, which have outperformed the market by 57 per cent in the past year, were down almost 6 per cent.

or 141/2 to 2401 ap in volume of 5.6m. The company is due to meet analysts at a series of meetings in December.

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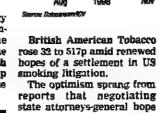


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rapidly and on the effect of a interims to come in at likely UK downturn on Avis. around £15m and the generator posted pre-exceptional profits of £46m prompting forecast upgrades across the

> board. Merrill Lynch boosted its full-year prediction by 18 per cent to £245m and reiterated its recommendation of Energy as its "favoured buy" in the sector with a price

target of 700p. The prospect that Energy might win the bid for Lon-British Energy powered don Electricity and the shead 37 to 620p on the back defensive attractions of the



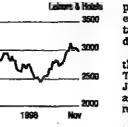
to have a final proposal to all states on a deal by tomorrow. However, a tobacco sector spokesman denied that a final deal had been reached. The stiorneys-general were apparently told during a conference call on Monday that the bulk of the deal had been worked out. Under the deal, big tobacco companies

about \$200bn over 25 years and to accept certain marketing restrictions. Analysts said the settlement would hurt companies' earnings for 35 years but help equity valuations.

would be required to pay

Relief flooded through the insurance sector at CGU hampton may have to do a posted data that painted a much brighter picture than most analysts had expected.

The market had been stunned by the figures from Royal & Sun Alliance last week and had been quietly edging down their numbers for CGU. In the event, the CGU data were down but not



British American Tobacco out. The third-quarter number of £157m compared badly with the £243m achieved last year but compared well with the consensus range, CGU reports that negotiating jumped 36 to 929p while

Royal added 17 at 513p. The much talked-about restructuring and consolidation in the brewing sector appeared to finally be under way when brewing group Wolverhampton & Dudley confirmed press speculation that it was considering a bid for rival Marston, Thompson & Evershed, Reports spoke of a 275p-per-share bid from Wolverhampton. Marston shares gained 32% to 231p while Wolverhampton closed unchanged at 419p.

However, several analysts were scaptical about the wisdom of Wolverhampton's move. One said: "Attractive as this deal may be, Wolverrights issue to do this deal, which could be a problem in current market conditions."

Tate & Lyle shines

A recovery in sweeteners group Tate & Lyle saw it end the day as the best performer in the FTSE 250. The shares fell sharply on Tuesday after what dealers said was a "rogue" trade. The stock gained 30 or 9.26 per cent to 354p.

Anglo-Dutch giant Unilever followed the market trend, the shares rising 4 to 629p. SG Securities was cautious on the stock, rating the shares "underperform".

In a note to clients, Carl Short said: "Continuing problems in many emerging economies could leave expectations for 1999 vulnerable to

disappointment. Pearson, the media group that owns the Financial Times, gained 11 to £10.31. J.P. Morgan initiated coverage of the stock with a "buy"

Telecoms stocks were led higher by a strong performance from Energis, which jumped 35 to 795p. ABN Amro reiterated a

"buy" recommendation on the group, which sells telecoms services to business customers, before its interim results next week.

The broker predicted pretax losses would decline while Energis's revenues were forecast to increase 66 per cent to £115m.

"Despite recent outperformance, the shares continue to offer value and look cheap relative to their peer group," says the broker, which has a share price tar get of 855p. Support services company

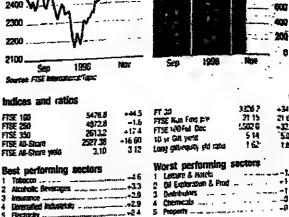
Serce ended the day's trading 62% off at 992%p in thin volume as a rumour did the rounds that Merrill Lynch was trying to place a large line of stock.

Heritage Bathrooms was up 44 at 196%p after it said it had received a bid approach at 220p a share. The stock reached 297p earlier this year but had since fallen back to 157p. Household goods company

Jourdan was down 5 at 40%p after it said a fire had totally destroyed its factory that made fire surrounds. Stanford Rook gained 16%

to 92%p after the pharmaceuticals company increased control of some patents via an agreement with University College London. The move paved the way

for a licensing agreement with a larger company, which is likely to be announced very soon



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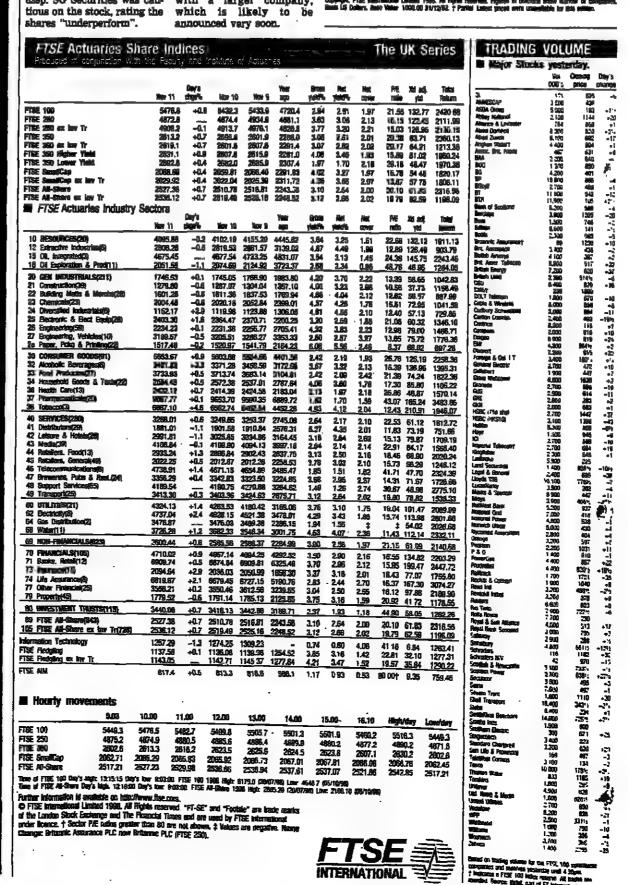
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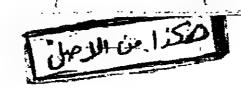
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US INDICES JAPAN FRANCE 1998 High Low Nov Mor 11 10 jiw 9 1996 Mgh (aw LOW 9332-317 (1777-98) 187-92 (5740-98) 3986-92 (1844-98) 320-91 (8740-98) 7539,07 (31/8) 104.42 (11/5) 1605.pt 225 14473.02 14108.09 16196.54 Day's bight 14423.02 Day's box 14085.51 (\$ 340 8529 194 1/40 (1777) 107.82 57(9) 2496.02 (1649) 320.51 (876) Nov 9 3,506 1,728 1,917 488 53 25 8900 3,525 1,247 1,760 473 45 1,539 1,705 1,330 490 68 54.99 (1/10/81) III TOKYO TRADONG ACTIVITY Volume : 511,300,750 Latest 2345,50 (2/14) 282,66 (2/1) 13.23 (8/1/32) 16.53 ACTIVE STUCKS E ACTIVE STOCKS Change Change Day's Day's chap % NACOAD 200 542 146 221 555 379 178 122 70 415 139/5 +33 +35 +14 +3 +3 +19 +10 Cipte pncs Day's change +8.9 -17 -18.2 -2 -13 -8 -84 -191 -32 21,943,000 14,726,000 8,240,000 7,827,000 5,965,000 4,987,000 4,518,000 4,413,000 4,413,000 4,413,000 1,881,294 1,482,857 1,371,819 876,327 745,587 588,222 547,516 517,234 467,709 467,158 (8/7/32) THE HYSE TRADERS ACTIVITY Volume : 679,736,000 Alps Ansilesi Gushusa Susmitery Salauma Downs Ansilesi Ansilesi Persale DasGebal Friele Alcael Rosser Asta Ber Schnig Partier Totalis British 379 9 583 254.8 632 633 349 324.9 416 672 235 Smicsta Fryidsk Yasatris Vasatris Tshiba Somatris Somatris Somatris Aniech Somatris 225 273 738 350 534 185 2070 +72 +45 +45 •33 •38 •38 378 Day's Day's change chips % 927.89 (9/1) 1077.40 (9/1) 95.80 (9/10) 1(36.78 (1777) 1296.48 (1777) 147.89 (1477) Citate price 竹載.25 Dips Oth Selica Diuboid Bert Cont. Handerson Doues. Buidte Engyliste Rowen Undfast -90 -76 -85 -87 -88 -83 -81 -81 (17/7/96) 1380.48 (17/7/96) 147.98 (1477/96) (145/32) 3.52 (20/8/32) 7.13 (49/74) 15,314,290 10,873,000 9,796,100 8,496,900 6,351,800 6,250,500 5,108,000 4,882,500 4,447,160 4,273,700 Company
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Yen's recovery lifts emerging markets

WORLD OVERVIEW

Investors in Asian markets region's equities gained ground, aided by the yen's rebound against the dollar writes Emiko Terazono.

Emerging market inveslevel earlier in the week, but Supporting other Asian cur-

cent, Singapore 5.5 per cent Asian markets further stantial dollar supply. and Bangkok 5.8 per cent. Jakarta rose 1.6 per cent in spite of political and social uncertainties. Seoul and Taiwan, however, bucked the trend.

With a global financial meltdown averted, and the yen surging against the dollar, emerging markets seem by the yen's fall to the Y122 to have become a little less dangerous for investors. In spite of the weakness of the Japanese, and Japan's rising

breathing space.

Morgan Stanley sees fund the entire emerging markets flows supporting a stronger universe, notably South yen, and is forecasting a Africa. Johannesburg's overyear-end level of Y105, while all index has risen more the average estimate for next year was raised from Y142 to Y133.

Positive corporate announce

ments, in the absence of

FRANKFURT to call a halt

to its two-day slide and the

Xetra Dax index finished

Turnover on the day was

low, however, which tended

to exaggerate price move-

Retailer Metro was a win-

ner, rising DM6 to DM107 as

reports of a special news

conference on Friday pro-

voked speculation about an

IPO or the sale of its Vobis

Analysis noted that recent

rumours had suggested Wal-

Mart of the US or a French

company could be lined up

for a deal with the German

Commerchank rose 89 pfg to DM53.50 at its third quarter

net income figures outshone

those of its rivals. Deutsche

rose 5.99 or 0.5 per cent to 1,079.21. See Euro Prices page.

Bank gave up DM1.20 to

DM101 on news that it would

probably not bid for BfG

Bank but would continue to

look to Japan for further alli-

ZURICH bounced higher

as highly speculative stories

that Roche and Novartis

On a mixed day for banks,

23.98 higher at 4,705.32.

than 33 per cent in dollar terms from its September low. As global risk averse-A continued unwinding of ness recedes and investors dollar/yen positions by for- again focus on valuations, eign Investors, a decline in South Africa could offer the potential of relative outperforeign investments by the formance, says Matthew Japanese economy, the yen current account surplus is Merritt, strategist at ING

Asia's recovery has helped

been the focus of emerging market investors due to its low correlation with the rest of the sector, it has fallen victim to the contagion which has hit emerging markets over the past year.

Due to the rise in "hot money", Johannesburg has been stripped of the safehaven status that has characterised its performance over the past few years. ING Barings points out that since the middle of last

pany said it hoped within a

for a planned share buyback.

ready to make significant

investment in Aeroporti di

Roma, the state majority-

owned airport operator ear-

marked for full privatisation. ADR shares closed up L465

or 42 per cent at L11,520.

Shares on Fiat, the car-

earnings per share forecasts

by 30 per cent for this year

and by 49 per cent for 1999.

MADRID turned back to

close flat after a late sell-off

sparked by futures prices

and the slow opening in New

York. The General index fin-

Acerinox underperformed,

losing Pta135 to Pta3 180 as

the market with its nine-

Argentaria, however

bucked a weaker trend in

rise of Pta35 to Pta3.045 after

Credit Suisse First Boston

Paris and Brussels were

Written and edited by Michael

an, Emiko Terazono. Mich

closed for public holidays.

and Poel and Poter Hall

upgraded its 12-month price

target to Pta3,630.

ished 1.52 higher at 789.80.

CIR added that it was

Although South Africa had year, South African shares have underperformed benchmark indices on the way down and outperformed as emerging markets rallied.

If this pattern continues. South Africa should be a leading beneficiary of a rehound in emerging markets. Although it needs to finance its current account gap, its companies do not face the insolvency problems of Asian countries, while unlike Brazil, it is unlikely

Telecom launch lights up Paris

French finance ministry to revive the launch of a second tranche of shares in France Telecom, the partly privatised telecoms operator. was widely seen as signalling the end of the recent correction in share prices.

MARKET FOCUS

The flotation was suspended last month as a result of instability in the financial markets.

However, two days into the relaunch, banks were reporting strong interest from retall investors, includ-ing existing shareholders who have seen their France Telecom shares slide from a high of FFr498.50 before the summer, to FFr379.90 on Tuesday (yesterday was a national holiday).

Analysts interpret the strength of demand as a reflection of a general return of investor confidence. Merrill Lynch is one of several investment banks recommending an "overweight" position in French stocks.

The CAC 40 blue-chip index closed at 3,544.7 on Tuesday, up 34 per cent from its 52-week low of 2,649.5, but still 20 per cent below its peak of 4,404.9, reached in late July, before the global correction induced by the Russian debt default.

"Investors have gone back to focusing on fundamentals, after losing sight of them during the correction," said Isabelle Delattre, head of equities at Expertise Asset Management, the French fund manager that is part of United Asset Management of

In the longer term, anaysts believe the market will be underpinned by several positive factors. These include the introduction of the single currency in just over six weeks, which should increase foreign demand for French shares as currency risk is eliminated.

Signs that the government is moving towards the cre-

ing state-backed redistributive system are also encoun aging. It is expected that the tax treatment of pension funds will encourage longterm equity investment. But the hourse is not com

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pletely immune to bad news in the short term. While consumer confidence remains near its 10year high reached in Septem

ber, manufacturers have been more pessimistic since the beginning of the sum-"Manufacturers, especially in the export sector, are still

worried about the effects of the emerging markets crisis," said Jacques Deipia. markets economist at Barclays Capital in Paris.
With the euro now widely expected to start life as a

strong currency, any significant weakening of the dollar could result in lower exports. for the EU as a whole. Profits of French companies. which are particularly dependent on exports, could be among the worst hit. Ms Delattre does not rule

out downward revisions in profit forecasts. "Profit growth prospects for 1999 are not yet very clear," she says. As a result, "fund managers are being very defensive in their stock picking, ignoring the fact that the best performances in recent weeks have been among cyclical shares".

US shares slip back after to end two-day slide early surge

but lost much momentum by midday, in spite of a rally in the computer sector and three new public offerings,

Dow Jones Industrial Average had fallen 32.44 to 8,831.54, and the broader Earthweb, which traded at a Standard & Poor's 500 index 250 per cent premium from was down 1.06 to 1,127.20. "A 9,000 Dow has been in

the past a real psychological so again," said Arthur Hogan, chief market analyst at Jeffries & Co in Boston.

This entire rally has been about monetary policy easing and the results of midterm elections, which means we are not trading on [corporate) fundamentals," added

Expectations of an interest rate cut by the Federal open market committee when it meets next Tuesday has prorecent run-up. Some expect the equity market's recent choppiness to continue until a decision is made at the

FOMC meeting. Intel's comments late Tuesday, that it was likely to beat consensus earnings quarter, sent investors charging back to chip producers, software companies and computer makers, of a rate cut. The Bovespa Higher high-tech prices sent index fell 177 or 2.2 per cent the Nasdao composite index to 7.823 in spite of expecta-

Intel surged 5 per cent, touching a new trading high early in the session, to \$102#. Texas Instruments climbed more than 6 per

Software stocks rallied as well, led by Oracle, up Computer maker Hewlett-Packard rose 3.5 per cent

Three much anticipated initial public offerings rallied in early trading. Fox enthusiastic demand for Entertainment traded at a 10 writes John Labate in New offer price, up \$24 to \$244. By early afternoon the a 20 per cent premium at \$28.4. Most surprising was a thinly traded internet stock,

> The Russell 2,000 index of small company shares was

TORONTO moved ahead on hopes of a US rate cut next week, and the TSE 300 rose 45.43 or 0.7 per cent to

Day, trading was thin. Of the 14 sub-indices, 11

were higher, led by financial services, which rose 2 per vided support for market's cent. Royal Bank of Canada rose C\$1.65 to C\$68.25 and Bank of Montreal C\$1.40 to C\$58.65

among the losers, with the sector down 0.2 per cent, while consumer products fell 0.5 per cent and communicaexpectations for the fourth tions and media 0.8 per cent. SAO PAULO was hit by

profit-taking as investors

adding 22.25 or 0.5 per cent to 4.165.02.

Investors shrugged off

BANGKOK was supported

by a rebound in the yen and

regional currencies, and the

SET index jumped 19.64 or

The rally in the yen and

the rise in the Thai baht

triggered hopes of a rate cut.

Retail buyers supported

5.8 per cent to 356.28

SOUTH AFRICA

Johannesburg crept back into positive territory, calling a halt to a two-day losing streak. The overall index finoff opening peaks, while industrials added 57.3 to

aftermath of hints that the

government is now mulling

new tax cuts. Indeed, some

international investment

banks such as Morgan Stan-

ley have become more buil-

ish recently in their recom-

However, traders pointed

while Mony Group traded at its offer price at \$494.

barrier and it's going to be flat at 396.94. The US Treaterday for Veterans Day.

With most financial institutions and the bond market The FTSE Eurotep 300 index closed for Rememberance

Metals and minerals were Among the chemicals groups, Schering rose DM7.90 to DM195 on ninemonth results and details of its plan to buy back DM500m of its own shares. Bayer, weak on Tuesday,

eased another 4 pfg to chose to ignore rising bopes DM64.76 in spite of its forecast of higher earnings this 15.60 higher by midday, a tions of a cut of the central higher at DM41.50 on news helped by news that the Japtance lending rate which Mexico's largest tyre maker.

stands at 49.75 per cent. MEXICO CITY firmed on gains in other international markets, with the IPC index

weakness in Brazil and fol-

Jo'burg ends two-day decline

maker, rose L22 or 0.5 per cent to L4,695, in spite of a profits downgrade by Gold-man Sachs, which cut its

Among financials, Swiss Life shot up SFr76 to Sfr990 on speculation that UBS might do something with its 25 per cent stake in the insurer before the end of the year. UBS rose SFr5 to SFr363 and CS Group was SF12 higher at SF1201.25.

AMSTERDAM edged upward as technology stocks prospered on the back of the sector's recent good performance in the US. The AEX index rose 9.54 or 0.9 per cent to 1.052.34 US buyers were active

after Intel announced late on Tuesday that it was optimis tic about demand for personal computers in the ASM Lithography, the

semiconductor equipment maker, climbed F16.40 or 13.6 per cent to F1 53.40, while Baan, the software company, recovered some of Tuesday's 10 per cent plunge to finish up 40 cents or 1.5 per cent at F1 27.40.

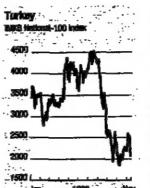
Unilever, the Anglo-Dutch consumer products manufacturer, finished up Fl 4.50 or Continental was DM1.69 3.1 per cent at Fl 148.50; taxes soon.

Aegon, the insurance group, fell F15.30 or 2.8 per cent to Fl 184.50. Dealers said the stock was over-valued

Metro helps Frankfurt Istanbul rocked by scandal

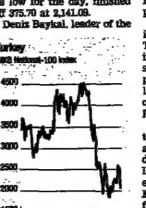
Turkish shares crashed almost 15 per cent, rocked by calls by an opposition leader for the minority government of Mesut Yilmaz, to resign over alleged corruption.

The IMKB National-100 index, down 17.9 per cent at its low for the day, finished off 375.70 at 2,141.09.



Republican People's party. called for the prime minister the hanking sector with a to resign after a television broadcast of taped accusations against the government by a businessman involved in the sell-off tender for Turkbank.

Parliamentary censure



motions were also tabled



9 months 1998 results

"There was a strong performance in life and savings, although group results were affected by difficult trading conditions in general insurance.

Integration of the Commercial Union and General Accident businesses is making excellent progress and on schedule to deliver the merger benefits to shareholders."

Bob Scott, Group Chief Executive

- Pre-tax operating profit of £435m (1997 £746m), before merger integration costs of £105m, included a record life result depressed by a £134m increase in severe weather claims and price competition in general insurance.
- Life profits of £340m, 16% higher at constant exchange rates,
- Life and savings new business up 21%.
- Shareholders' funds £8,430m (31.12.97 £8,017m)

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might be about to merge paved the way for a rebound and had been sold on both from Tuesday's losses. The the stock and options mar-SMI index finished 93.8 higher at 6,657.4. MILAN moved forward Novartis rose SFree to with other European markets amid signs of greater optimism in Japan about the prospect of economic recov-The Mibiel index finished up 277 or 1.4 per cent at 20,491, reflecting a similar rise in the Mib30 index of blue-chip co Shares in CIR, the Italian industrial holding company controlled by Carlo De Benedetti, closed up L8 or 0.5 per was priced in New York at A\$22 a share. The All Ordinaries index put on 38.3 to 2,720.7 as News Corp shares jumped 51 cents or 4.7 per cent to A\$11.30. Westpac led the charge hanks, putting on 31 cents to A\$9.93 as the market MANILA recovered most of its Tuesday losses as buyers bought shares in composite index finished up 71.13 or 4.3 per cent, com-pared with falls of 4.7 per cent and 4.4 per cent on Monday and Tuesday. Traders said the advance was founded on hopes that Philippine Long Distance Telephone, the dominant telecommunications provider, was set to announce a deal with Metro Pacific, which is majority owned by First Pacific, the Hong Kongbased conglomerate. PLDT closed up 25 pesos or 2.5 per cent at 1,005 pesos, picked up to HK\$7.8hn. while Metro Pacific tumped Cathay Pacific jumped 55

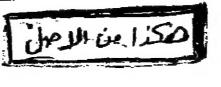


cents to HK\$7.70 on news of

an agreement in principle with Philippine Airlines on a

showing by banks and News

possible alliance.



to 1.64 pesos.

TAIPEI lost ground on

growing concerns over cash

weighted index fell 157.51 or

SYDNEY pushed 1.5 per involved in speculative

cent higher on a strong investments, and the

Corp after the flotation of its 2.3 per cent to 6,664.79.